

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you are recommended to seek immediately your own personal financial advice from your independent financial adviser, stockbroker, bank manager, solicitor, accountant, fund manager or other appropriately qualified adviser authorised under the Financial Services and Markets Act 2000, as amended (the "FSMA") if you are in the United Kingdom or, if not, from another appropriately authorised independent adviser.

A copy of this Prospectus, which comprises a prospectus relating to the admission to trading of securities in Real Estate Credit Investments Limited (the "**Company**") prepared in accordance with the Listing Rules and the Prospectus Regulation Rules made under Section 73A of FSMA, has been delivered to the Financial Conduct Authority ("**FCA**") in accordance with the Prospectus Regulation Rules. The Prospectus has been approved by the FCA, as competent authority under the Prospectus Regulation and the FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Accordingly, such approval should not be considered as an endorsement of the issuer that is, or the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the New Ordinary Shares. This Prospectus has been drawn up as part of a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

The Company has been declared to be an authorised closed-ended investment scheme by the Guernsey Financial Services Commission under Section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. Neither the States of Guernsey Policy and Resources Committee nor the Guernsey Financial Services Commission takes any responsibility for the soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

Applications will be made to the FCA and the London Stock Exchange for the New Ordinary Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to trading on the premium segment of the Main Market for securities admitted to trading ("**Admission**"). It is expected that each Admission will become effective and dealings in New Ordinary Shares will commence between 10 March 2020 and 20 February 2021. Admission is conditional upon the Existing Ordinary Shareholders voting in favour of the Required Resolution at the Extraordinary General Meeting.

If you sell or have sold or otherwise transferred your Existing Ordinary Shares please send this Prospectus as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected, for delivery to the purchaser or transferee. The distribution of this Prospectus and any accompanying documents in jurisdictions other than the United Kingdom, including the United States, Australia, Canada, South Africa or Japan, may be restricted by law. Persons into whose possession these documents or the New Ordinary Shares come must inform themselves about and observe all restrictions applicable to them. Any failure to comply with these restrictions may constitute a violation of the securities laws of the relevant jurisdictions. **This Prospectus and any accompanying documentation may not be distributed, forwarded, transmitted or otherwise made available, and their contents may not be disclosed, in, into or from any Excluded Territory. Persons within any Excluded Territory who obtain a copy of this Prospectus are required to disregard it.**

The Company, and each of the Directors, whose names appear on page 5 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Cheyne Capital Management (UK) LLP accepts responsibility for the information contained in the Prospectus relating to it and all statements which are attributed to it. To the best of the knowledge of Cheyne Capital Management (UK) LLP, the information contained in this Prospectus for which it takes responsibility is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Investment in the Company involves significant risks and special considerations. Prospective investors should read this entire document and, in particular, the section entitled "Risk Factors" on pages 11 to 34 of this Prospectus. The definitions used in this Prospectus are set out on pages 119 to 127.

Real Estate Credit Investments Limited

(an authorised closed-ended investment scheme limited by shares and incorporated under the laws of Guernsey with registered number 43634)

Placing Programme in respect of up to 150 million New Ordinary Shares

Investment Manager

Cheyne Capital Management (UK) LLP

Sponsor and Bookrunner

Liberum Capital Limited

LIBERUM

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or the solicitation of an offer to purchase, subscribe for or otherwise acquire, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase, subscribe for or otherwise acquire, such securities by any person in any circumstances in which such offer or solicitation would be unlawful.

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 the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") that is subject to Title I of ERISA; (B) a "plan" as defined in Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**US Tax Code**"), including an individual retirement account or other arrangement that is subject to Section 4975 of the US Tax Code; or (C) an entity whose underlying assets are considered to include "plan assets" by reason of investment by an "employee benefit plan" or "plan" described in preceding clause (A) or (B) in such entity pursuant to the US Plan Assets Regulations; 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 US Tax 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 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 as such investors are not and will not be entitled to the benefits of the US Investment Company Act. The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 as amended (the “**US Securities Act**”), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold, resold, pledged, delivered, distributed or otherwise transferred, directly or indirectly, into or 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 (“US Persons”), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and in a manner which would not result in the Company being required to register under the US Investment Company Act. In connection with the Placing Programme, subject to certain exceptions, offers and sales of Ordinary Shares will be made only outside the United States in “offshore transactions” to non-US Persons pursuant to Regulation S under the Securities Act. There has been and will be no public offering of the Ordinary Shares in the United States.

Neither the US Securities and Exchange Commission (the “**SEC**”), nor any securities regulatory authority of any state or other jurisdiction of the United States, has approved or disapproved of the Ordinary Shares or passed upon or endorsed the merits of any offering of New Ordinary Shares or the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The offer and sale of New Ordinary Shares have not been and will not be registered under the securities laws of Australia, Canada, South Africa or Japan. The New Ordinary Shares may not be offered or sold into or within Australia, Canada, South Africa or Japan or to any national, resident or citizen of Australia, Canada, South Africa or Japan.

The distribution of this Prospectus and the offer of the New Ordinary Shares in certain jurisdictions may be restricted by law. Other than in the United Kingdom, no action has been or will be taken to permit the possession, issue or distribution of this Prospectus (or any other offering or publicity material relating to the New Ordinary Shares) in any jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. None of the Company, the Investment Manager or Liberum Capital Limited (“**Liberum**”) or any of their respective Affiliates or advisers accepts any legal responsibility to any person, whether or not a prospective investor, for any such restrictions.

In addition, the New Ordinary Shares are subject to restrictions on transferability and resale in certain jurisdictions and may not be transferred or resold except as permitted under applicable securities laws and regulations and under the Articles. Investors may be required to bear the financial risks of their investment in the New Ordinary Shares for an indefinite period of time. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions and may subject the holder to the forced transfer provisions set out under the Articles. For further information on restrictions on offers, sales and transfers of the New Ordinary Shares, please refer to “United States Purchase and Transfer Restrictions” in Part VII and “Memorandum and Articles of Incorporation” in Part VIII of this Prospectus.

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Placing Programme including the merits and risks involved. The investors also acknowledge that: (i) they have not relied on Liberum or any person affiliated with Liberum in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus. No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied on as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in it is correct as of any subsequent time.

The Placing Programme will remain open until 20 February 2021 or such earlier time at which the maximum number of New Ordinary Shares to be issued pursuant to the Placing Programme has been issued.

None of the Company, the Investment Manager, Liberum or any of their respective representatives, is making any representation to any prospective investor of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such prospective investor under the laws applicable to such prospective investor.

The contents of this Prospectus should not be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal, financial or tax adviser for legal, financial or tax advice.

Liberum, which is regulated in the United Kingdom by the FCA, is acting for the Company and for no one else and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to Admission or the Placing Programme and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing any advice in connection with Admission, the Placing Programme, the contents of this document or any other matter referred to herein. Apart from any responsibilities which Liberum may have under FSMA or the regulatory regime established thereunder, Liberum takes no responsibility whatsoever for any part of the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Group and Admission. Liberum accordingly disclaims to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of the Prospectus or any such statement.

21 February 2020

CONTENTS

	<i>Page</i>
SUMMARY	4
RISK FACTORS	11
IMPORTANT INFORMATION	35
EXPECTED TIMETABLE	41
PLACING PROGRAMME STATISTICS	41
CORPORATE INFORMATION	42
PART I THE COMPANY'S BUSINESS AND THE PROPOSAL	44
PART II THE INVESTMENT OPPORTUNITY	54
PART III MANAGEMENT OF THE COMPANY	62
PART IV TAX CONSIDERATIONS	73
PART V FINANCIAL INFORMATION	78
PART VI THE PLACING PROGRAMME	80
PART VII TERMS AND CONDITIONS OF EACH PLACING UNDER THE PLACING PROGRAMME	87
PART VIII ADDITIONAL INFORMATION	96
DEFINITIONS AND GLOSSARY	119

SUMMARY

1. Introduction

a. Name and ISIN of securities

Ticker for the New Ordinary Shares: RECI

ISIN of the New Ordinary Shares: GB00B0HW5366

b. Identity and contact details of the issuer

Name: Real Estate Credit Investments Limited (the “**Company**”) (incorporated in Guernsey with registered number 43634)

Address: East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP

Tel: 01481 715601

Legal Entity Identifier (LEI): 549300QRGEEMB5500LX86

c. Identity and contact details of the competent authority

Name: Financial Conduct Authority

Address: 12 Endeavour Square, London, E20 1JN, United Kingdom

Tel: 0300 500 8082

d. Date of approval of the Prospectus

21 February 2020

e. Warnings

This summary should be read as an introduction to this Prospectus. Any decision to invest in the Ordinary Shares of the Company to be issued under the Placing Programme (the “**New Ordinary Shares**”) should be based on consideration of the Prospectus as a whole by the prospective investor. The investor could lose all or part of the invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where 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 the New Ordinary Shares.

2. Key information on the issuer

a. Who is the issuer of the securities?

i. Domicile and legal form, LEI, applicable legislation and country of incorporation

The Company is a non-cellular company limited by shares, registered and incorporated in Guernsey under the Companies (Guernsey) Law, 2008 on 06 September 2005 with registered number 43634 and LEI: 549300QRGEEMB5500LX86. The Company is a closed-ended investment company authorised by the GFSC under the Authorised Closed-ended Collective Investment Schemes Rules 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

ii. Principal activities

The investment objective of the Company is to provide Ordinary Shareholders with attractive and stable returns, primarily in the form of quarterly dividends, by exposure to a diversified portfolio of real estate credit investments, predominantly comprising real estate loans and bonds.

To achieve the investment objective, the Company invests and will continue to invest in real estate credit secured by commercial or residential properties in the United Kingdom and Western Europe (“**Real Estate Credit Investments**”).

iii. **Major Shareholders**

The below table sets out the persons who had notified the Company of an interest which represents 5 per cent. or more of the voting share capital of the Company as at 19 February 2020 (the “**Latest Practicable Date**”):

<i>Ordinary Shareholder</i>	<i>No. of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares in issue</i>
Close Asset Mgt (London)	19,409,871	8.46
Bank Leumi Le Israel (Tel-Aviv)	17,938,509	7.82
Canaccord Genuity Wealth Mgt (Jersey)	17,316,432	7.55
FIL Investment International (London)	16,989,833	7.41
Premier Miton Investors (Guildford)	16,530,000	7.21
Smith & Williamson Investment Mgt (London)	15,128,381	6.60

Save as disclosed in this section, the Company is not aware of any person who, as at the Latest Practicable Date, directly or indirectly, has a holding which is notifiable under applicable law or who directly or indirectly, jointly or severally, exercises or could exercise control over the Company. There are no differences between the voting rights enjoyed by the Shareholders described above and those enjoyed by any other holder of Ordinary Shares.

iv. **Directors**

Bob Cowdell (Chairman); Susie Farnon; John Hallam; and Graham Harrison

v. **Statutory auditors**

Deloitte LLP

b. **What is the key financial information regarding the issuer?**

i. **Selected historical financial information**

The key figures that summarise the financial condition of the Company in respect of the financial year ended 31 March 2019 and half-year ended 30 September 2019 are set out in the table below:

	<i>For year ended 31 March 2019</i>	<i>For year ended 31 March 2018</i>	<i>For the six months ended 30 September 2019</i>	<i>For the six months ended 30 September 2018</i>
	£	£	£	£
Interest Income	22,314,473	18,413,836	12,455,820	10,748,531
Net gains/losses on financial assets and liabilities at fair value through profit or loss	2,955,459	2,173,787	2,625,485	415,710
Operating Expenses	(4,833,548)	(3,741,454)	(2,752,368)	(2,190,133)
Finance Costs	(1,203,559)	(1,911,444)	(763,080)	(444,016)
Net Profit/(Loss)	19,232,825	14,934,725	11,565,857	8,530,092
	<i>As at 31 March 2019</i>	<i>As at 31 March 2018</i>	<i>As at 30 September 2019</i>	<i>As at 30 September 2018</i>
Total Assets	355,150,063	308,157,688	394,041,791	286,762,725
Total Liabilities	101,951,774	79,633,776	64,634,357	35,067,893

ii. **Selected pro forma financial information**

N/A

c. **Closed-ended funds**

i. **Additional information relevant to closed end funds**

The data set out in the table below is at the date of the latest published net asset value, being 31 January 2020.

<i>Share Class</i>	<i>Total NAV</i>	<i>No. of shares</i>	<i>NAV per Share</i>
Ordinary	347,545,571	209,412,115	166.0 pence

ii. **Income statement for closed end funds**

	<i>For year ended 31 March 2019</i>	<i>For year ended 31 March 2018</i>	<i>For year ended 31 March 2017</i>	<i>For the six months ended 30 September 2019</i>	<i>For the six months ended 30 September 2018</i>
Total net income	19,232,825	14,934,725	9,079,472	11,565,857	8,530,092
Net Profit/(Loss)	19,232,825	14,934,725	9,079,472	11,565,857	8,530,092
Performance fee (accrued/paid)	733,820	345,404	62,520	186,831	264,561
Investment management fee (accrued/paid)	3,022,306	2,612,035	2,038,574	1,930,838	1,443,176
Any other material fees (accrued/paid) to service providers	1,077,422	784,015	1,125,094	634,699	482,396
Earnings per share	13.1p	13.0p	12.0p	6.3p	6.1p

iii. **Balance sheet for closed end funds**

	<i>As at 31 March 2019</i>	<i>As at 31 March 2018</i>	<i>As at 31 March 2017</i>	<i>As at 30 September 2019</i>	<i>As at 30 September 2018</i>
Total Net Asset	355,150,063	308,157,688	189,271,376	394,041,791	286,762,725
Leverage ratio	28.2%	25.4%	24.0%	15.5%	9.5%

d. **What are the key risks that are specific to the issuer?**

Risks relating to the Company and its investment strategy

- The Company and the value of its Investment Portfolio are susceptible to any weakness, volatility or underperformance in the real estate market.
- The Company's income will be derived from payments from its investments and default on investments will harm the Company's performance.
- The ability of the Company to effectively implement its investment policy and achieve its desired investment returns may be limited by its ability to source appropriate investments in which to invest.
- The Company may borrow through repurchase agreements, which are typically not linked to the term of the Real Estate Credit Investments purchased by the Company, and there is an increased risk that the Company will be required to sell assets to repay its obligations under the repurchase agreement where the Company is unable to extend or renew a repurchase agreement following the expiry of its term.
- Where financing arrangements are entered into at the underlying SPV level the Company is subject to cross-collateralisation risk, where the relevant SPV, in the event that the SPV defaults on its obligations to the relevant third party lender, is required to sell one or more assets within that SPV to meet such obligations.
- Recent or future political developments may adversely affect the Company's business, financial condition, results of operations, Net Asset Value and/or the market price of the Shares.

Risks relating to loans

- The subordinated loans originated or invested in by the Company are contractually and/or structurally junior to senior loans and may be exposed to greater risk of default and lower recoveries in the event of a default.
- Loans may be of limited recourse and if the borrower under a senior loan originated by the Company defaults, the Company may recover only a fraction of what is owed on the senior loan or nothing at all.

Risks relating to mortgage-backed securities

- Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and enforcement than lending on the security of single family residences.

Risks relating to valuation

- The value of underlying real estate and the rental income it produces may fluctuate as a result of factors which are outside the Company's control.

Risks relating to the Investment Manager

- The Company's performance is heavily reliant on the Investment Manager and its investment professionals.

Risks relating to taxation

- An adverse change in the Company's tax status or applicable tax legislation could harm the Company's financial condition or prospects.

3. Key information on the securities

a. What are the main features of the securities?

i. Type, class and ISIN of the securities being admitted to trading on a regulated market

The ISIN of the New Ordinary Shares being issued pursuant to the Placing Programme is GB00B0HW5366.

ii. Currency, denomination, par value, number of securities issued and term of the securities

The New Ordinary Shares will be denominated in Sterling and will be Ordinary Shares of no par value in the capital of the Company. The New Ordinary Shares will have an infinite term.

iii. Rights attached to the securities

The New Ordinary Shares issued pursuant to the Placing Programme will, when issued and fully paid, have the following rights attaching to them:

(a) Voting Rights

Subject to any special rights or restrictions which may be attached to any class of share on a show of hands, every holder of New Ordinary Shares who (being an individual) is present in person or by a proxy shall have one vote and, on a poll, every holder present in person or by a proxy shall have one vote for every share held.

(b) Dividends

Save as set out below, the Company may declare dividends to holders of shares but no dividend shall exceed the amount recommended by the Board.

Save as set out below, the Board may at any time declare and pay such interim dividends to the holders of New Ordinary Shares as appear to be justified by the position of the Company.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration thereof will be forfeited and will revert to the Company and the payment by the Directors of any unclaimed dividend or other sum payable on or in respect of a share into a separate account will not constitute the Company a trustee in respect thereof.

(c) Capital

On a return of capital on liquidation or otherwise (other than by way of repurchase or redemption of New Ordinary Shares in accordance with the Articles and the Companies Law) the assets of the Company available for distribution among the Shareholders shall belong to and be distributed among the Ordinary Shareholders in proportion to the number of Ordinary Shares held by them.

(d) Redemption

The New Ordinary Shares will not carry a right to redemption by Ordinary Shareholders.

iv. Relative seniority of the securities

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

v. **Restrictions on free transferability of the securities**

As at the date of this Prospectus, subject to any restrictions on transfers described below:

- (a) Any Shareholder may transfer all or any of his uncertificated shares by means of a relevant system authorised by the Board in such manner provided for, and subject as provided, in any regulations issued for this purpose under the Companies Law or such as may otherwise from time to time be adopted by the Board on behalf of the Company and the rules of any relevant system and accordingly no provision of the Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred.
- (b) Any Shareholder may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in any other form which the Board may approve, signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.
- (c) The Directors shall not be bound to register more than four persons as joint holders of any Share. In addition, the Articles, in certain circumstances, allow the Directors to refuse to consent to a transfer by a Shareholder (a “**Defaulting Shareholder**”) who, having been requested to do so by the Directors, fails to provide certain information regarding the interests of other persons in the Shares held by the Defaulting Shareholder.

The Directors may refuse to register a transfer of Shares or require the sale or transfer of Shares if they have reason to believe that the transferee is a Non-Qualified Holder. The Directors will not however exercise this discretion if to do so would prevent dealings in Shares from taking place on an open and proper basis on the London Stock Exchange.

If it shall come to the notice of the Directors that any Shares are owned directly or beneficially by any Non-Qualified Holder, the Directors may give notice to such person requiring it (a) to provide the Directors within thirty days with sufficient satisfactory documentary evidence to satisfy the Directors that such person (as applicable) is not a Non-Qualified Holder or (b) to sell or transfer its Shares to a person qualified to own the same within thirty days and within such thirty days to provide the Directors with satisfactory evidence of such sale or transfer. If any person upon whom such a notice is served does not within thirty days after such notice transfer its Shares to a person qualified to own the same or establish to the satisfaction of the Directors (whose judgment shall be final and binding) that it is qualified and entitled to own the Shares, such person shall be deemed upon the expiration of such thirty days to have forfeited its Shares.

vi. **Dividend policy**

Subject to the applicable requirements and restrictions contained in the Companies Law, the Company may consider making interim dividend payments to Ordinary Shareholders (which includes investors subscribing for New Ordinary Shares pursuant to the Placing Programme), having regard to the net income remaining after the potential reinvestment of cash or other uses of income, at a level the Directors deem appropriate, in their sole discretion, from time to time. There is no fixed date on which it is expected that dividends will be paid to Ordinary Shareholders. The Directors intend that the Company pays dividends to Ordinary Shareholders (which includes New Ordinary Shareholders) when it is able and appropriate to do so. It is the intention of the Company to continue to pay a stable quarterly dividend with the potential for additional payments if investment returns permit.

There is no assurance that the Company will declare or pay dividends on Ordinary Shares and, if dividends are paid, there is no assurance with respect to the amount and timing of any such dividend.

b. **Where will the securities be traded?**

Applications will be made: (i) to the FCA for the New Ordinary Shares to be admitted to listing on the premium listing category of the Official List; and (ii) to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange’s Main Market for listed securities.

c. **What are the key risks that are specific to the securities?**

- The price of the Company’s Shares may fluctuate significantly, which could result Shareholders being unable to resell their Shares at or above the price at which they purchased them.
- Borrowings and increases in operating and other expenses could limit the Company’s ability to pay dividends to holders of Shares.
- Existing Ordinary Shareholders who do not participate in the Placing Programme will have their percentage holding diluted following each issue of New Ordinary Shares.

4. Key information on the admission to trading on a regulated market

a. Under which conditions and timetable can I invest in this security?

i. General terms and conditions

The Placing Programme is conditional on, among other things:

- (a) Existing Ordinary Shareholders passing the Required Resolution at the EGM;
- (b) Admission of the New Ordinary Shares issued pursuant to the Placing Programme to the premium segment of the Official List and to trading on the premium segment of the Main Market; and
- (c) the Placing Agreement not being terminated in accordance with its terms or a particular Placing not being terminated in accordance with the terms of the placing Agreement.

In circumstances where these conditions are not fully satisfied, the relevant issue of New Ordinary Shares pursuant to the Placing Programme will not take place. If a Placing does not proceed, subscription monies received in relation to such Placing will be returned without interest at the risk of the applicant.

ii. Expected Timetable

Placing Programme opens	21 February 2020
Extraordinary General Meeting ¹	2.00 p.m. on 10 March 2020
Earliest date for New Ordinary Shares to be issued pursuant to the Placing Programme	10 March 2020
Publication of Placing Price in respect of each Placing	As soon as possible following the close of each Placing
Admission and crediting of CREST accounts in respect of each Placing	8.00 a.m. on the Business Day on which New Ordinary Shares are issued
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	Approximately two weeks following the Admission of any New Ordinary Shares
Placing Programme closes	20 February 2021

iii. Details of admission to trading on a regulated market

The Existing Ordinary Shares are currently listed on the premium listing category of the Official List and traded on the London Stock Exchange's Main Market for listed securities.

Applications will be made: (i) to the FCA for the New Ordinary Shares to be admitted to listing on the premium listing category of the Official List; and (ii) to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities.

iv. Plan for distribution

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 will be announced by the Company as soon as practicable after the close of the Placing via an RIS announcement.

It is expected that each Admission will become effective and dealings in the New Ordinary Shares on the Main Market will commence between 10 March 2020 and 20 February 2021.

v. Amount and percentage of immediate dilution resulting from the Placing Programme

Potential dilution following an issuance of shares pursuant to the Placing Programme

Existing Ordinary Shareholders who do not participate in a placing under the Placing Programme will have their percentage holding of Ordinary Shares diluted on issue of the New Ordinary Shares. Assuming that all 150 million New Ordinary Shares were to be issued pursuant to the Placing Programme, this would result in a dilution of approximately 39.5 per cent. in such Existing Ordinary Shareholders' voting control of the Company.

vi. Estimate of the total expenses of the Placing Programme

It is not possible to ascertain the exact costs and expenses of the Placing Programme. However, assuming that the Placing Programme is fully subscribed and therefore the maximum of 150 million

¹ Quorum for the EGM is two Existing Ordinary Shareholders present in person or by proxy.

New Ordinary Shares are issued pursuant to the Placing Programme, the Gross Placing Proceeds would be approximately £249 million and the expenses payable by the Company would be approximately £4.6 million and the Net Placing Proceeds would be approximately £244.4 million. For the purposes of this Prospectus, the Gross Placing Proceeds are calculated using the 31 January 2020 unaudited Net Asset Value per Ordinary Share of 166.0 pence.

vii. ***Estimated expenses charged to the investor***

The expenses of any Placings made pursuant to the Placing Programme will be deducted from the Gross Placing Proceeds, rather than being charged directly to any investor.

b. **Why is this prospectus being produced?**

i. ***Reasons for the admission to trading on a regulated market***

If the Required Resolution is passed, the Company intends to use the Net Placing Proceeds to invest in Real Estate Credit Investments in accordance with the Investment Objective and Policy.

The Directors believe, having been so advised by the Investment Manager, that the primary advantage of raising capital pursuant to the Placing Programme will be the opportunity for further investment in the Western European real estate credit markets, particularly in real estate debt secured against commercial and residential real estate assets in the UK and Western Europe.

Pending investment of the Net Placing Proceeds in accordance with the Investment Objective and Policy, the Company may invest the net proceeds of any Placing in short term money market funds. The Company does not intend to apply leverage to these temporary investments.

ii. ***The use and estimated net amount of the proceeds***

The Net Issue Proceeds will be invested in accordance with the Company's Investment Objective and Investment Policy as detailed above.

iii. ***Underwriting***

No issue of the New Ordinary Shares made pursuant to the Placing Programme will be underwritten.

iv. ***Material conflicts of interest***

There are no conflicts of interests that are material to the Placing Programme or any Admission.

RISK FACTORS

Investment in the Company involves a high degree of risk and should be regarded as long-term in nature. Prospective investors should consider carefully all of the information set out in this Prospectus and the risks relating to the Company, and the Investment Manager including, in particular, the risks described below which are not presented in any order of priority and may not be an exhaustive list or explanation of all the risks which investors may face when making an investment in the New Ordinary Shares and should be used as guidance only.

Only those risks which are believed to be material and currently known to the Company in relation to the investments in which the Net Placing Proceeds will be invested as at the date of this Prospectus have been disclosed. Additional risks and uncertainties not currently known to the Directors, or that the Directors deem immaterial at the date of this Prospectus, may also have an adverse effect on the business, results of operations, financial conditions and prospects of the Company, the Net Asset Value and the market price of the New Ordinary Shares. Potential investors should review this Prospectus carefully and in its entirety and consult with their professional advisers before making an application to invest in the New Ordinary Shares.

Prospective investors should note that the risks relating to the Company, the Investment Manager and the New Ordinary Shares summarised in the section of this document entitled “Summary” are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed “Summary” but also, among other things, the risks and uncertainties described below.

Defined terms used in the risk factors below are as defined in the section headed “Definitions and Glossary” on pages 119 to 127 of this Prospectus.

RISKS RELATING TO THE COMPANY AND ITS INVESTMENT STRATEGY

The Company and the value of its Investment Portfolio are susceptible to any weakness, volatility or underperformance in the real estate market

The Company’s exposure to market risk relates mainly to movements in the market value of its investments, and to the extent that the Company incurs indebtedness in the future, changes in interest rates that either increase its cost of borrowing or, in the event the Company makes any fixed interest investments in future, may decrease its income.

The value of the Company’s Investment Portfolio will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment or, in the case of securities for example, factors specific to its issuer or affecting all instruments traded in the market over which the Company will have no control. With respect to financial instruments in the Company’s Investment Portfolio, as the majority of these are carried at fair value with fair value changes recognised in the Company’s statement of comprehensive income, changes in market conditions will directly affect the value of the Investment Portfolio.

As the underlying security for the Company’s loans and bonds is real estate, the Company is exposed to the risk of any future downturn in the real estate market. The real estate market is cyclical in nature and relates to the condition of the economy as a whole. Deteriorating economic conditions adversely affect the value of real estate. In addition, negative economic conditions have also had, and may continue to have, a material adverse effect on rental revenues and therefore the ability of borrowers to service any payments due to the Company. If the borrower on an individual loan is unable to repay, and the Company is unable to recover its outstanding balance from the sale of the underlying property, this would negatively impact the Net Asset Value and, potentially, the performance of the Shares.

The real estate markets have in recent years been adversely impacted by, for example, the global banking crisis and, with regard to the UK, the Brexit referendum and the ensuing uncertainty around the exit terms, with real estate values, particularly during the global banking crisis, experiencing substantial declines. The value of real estate may reduce at any time, and those reductions could be substantial. Declines in the

performance of the UK and other European economies could have a negative impact on consumer spending, levels of employment, rental revenues and vacancy rates, and could, as a result, have a material adverse effect on the Company's business and financial condition.

A major occupier or tenant could default and/or seek to renegotiate lease terms. The borrowers to which the Company advances loans may be significantly exposed to the factors that affect the corporate and retail business environment generally, with the UK retail sector seeing significantly reduced footfall recently. A significant decline in overall tenant revenues or the insolvency of multiple significant individual tenants, or a substantial number of smaller tenants, would materially decrease that entity's available cash to service any loans provided by the Company and also materially lower the value of the underlying real estate asset, which may materially, negatively impact the Net Asset Value, the market price of the Shares and the ability of the Company to pay dividends.

The Company's income will be derived from payments from its investments and default on investments will harm the Company's performance

The Company may enter into financing transactions (including, transactions in over the counter markets) and hold investments (including synthetic securities) which would expose the Company to the credit risk of its counterparties and their ability to satisfy the terms of such contracts. Credit risk is the risk that an issuer or counterparty to a transaction entered into by the Company will be unable or unwilling to meet a commitment that it has entered into with the Company. In particular, certain of the Company's investments rely upon the receipt of payments from underlying obligors in order to make interest payments. A wide range of factors could adversely affect the ability of the obligors under the Company's investments or the underlying obligors in the case of certain Real Estate Credit Investments to make interest, or other, payments. These factors include adverse changes in the financial condition of borrowers or the issuers of the securities, the underlying obligors, or the industries or regions in which they operate; the borrower's, issuer's or underlying obligor's exposure to counterparty risks (including the risk that such counterparty suffers a bankruptcy or insolvency event); systemic risk in the financial system and settlement; changes in law and taxation; a downturn in general economic conditions; higher interest rates; unemployment; changes in governmental regulations or other policies and natural disasters, terrorism, social unrest and civil disturbances. In the event of a default by a counterparty, the Company could experience delays in liquidating its position and, depending on the nature and scope of the default, the Company may suffer significant losses, including the loss of that part of the Company's Investment Portfolio financed through such a transaction, declines in the value of its investment during the period in which the Company seeks to enforce its rights, inability to realise any gains on its investment during such period and fees and expenses incurred in enforcing its rights. The level of defaults in the Investment Portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions.

The ability of a commercial borrower to repay a mortgage loan may be affected by many factors, such as the success of tenant businesses, property management decisions, changes in laws that increase operating expense or limit rents that may be charged, the occurrence of any uninsured casualty at the property, declines in regional or local real estate values or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, increases in unemployment, increases in leverage as a percentage of property values and increases in the percentage of income that borrowers must use to service their mortgages.

While a senior position in the capital structure of a borrower or issuer has the potential to provide some protection with respect to the Company's investments in senior loans, losses may still occur because the market value of senior loans is affected by the creditworthiness of borrowers or issuers or their guarantors and by general economic and specific industry conditions. Senior positions in the capital structure may involve the Company taking security over certain assets of the borrower. To the extent the Company invests in below investment grade instruments, it will be exposed to a greater amount of credit risk than an entity which invests in investment grade instruments. Generally, the prices of below investment grade instruments are more sensitive to negative developments, such as a decline in the issuer's revenues or a general economic downturn, than are the prices of investment grade instruments. Investments of below investment grade instruments are predominantly more speculative with respect to the issuer's capacity to pay interest and repay principal when due than investment grade instruments and therefore involve a greater risk of default. The principal amount of certain investments may remain outstanding and at risk until the maturity of the investment, in which case the relevant borrower's ability to repay the principal may be dependent upon a liquidity event or the long-term success of the borrower, the occurrence of which is uncertain.

In addition, the Company may enter into credit derivatives which may expose it to additional risk in the event that the instruments underlying the derivatives default. With synthetic or pass-through securities, the Company will not usually have a contractual relationship with the underlying issuer of the underlying obligation. Therefore the Company will generally have no right to directly enforce compliance by the actual issuer with the terms of the underlying obligation nor any rights of set-off against the actual issuer, nor have any voting rights with respect to the underlying obligation. The Company will not directly benefit from the collateral supporting the underlying obligation and will not have the benefit of the remedies that would normally be available to a holder of such underlying obligation. In the event of the insolvency of the counterparty to such synthetic or pass-through security, the Company will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying obligation.

Any default by borrowers could materially decrease the returns received by the Company in respect of the relevant investments, particularly in the case of a large number of defaults or where the amounts involved were material. This is likely to have a material adverse effect the Net Asset Value, the market price of the Shares and the ability of the Company to pay dividends.

The ability of the Company to effectively implement its investment policy and achieve its desired investment returns may be limited by its ability to source appropriate investments in which to invest

The Company must invest in accordance with its investment policy in order to achieve its investment objective. The significant part of the Company's investments amortise or are repaid over time, such that their average lives generally range from 3 to 5 years, giving rise to re-investment risk. There can be no assurance that, upon receiving the full or partial repayment of a given investment, the Company will be able to make a further investment with an expected rate of return equal to that of the investment repaid or find replacement investments which are attractive or of sufficient quality or size to permit the Company to invest the cash in a timely manner, or at all. If the expected rate of return of the new investment is less than that of the investment repaid, this may reduce the value of the Shares and net income and, consequently, could have an adverse impact on the Company's ability to pay dividends.

Investments which achieve the required return may be more risky, including having a higher LTV, which may have an effect on the risk of the portfolio.

The Company's performance is largely a function of the Investment Manager's ability to provide competent, attentive and efficient services under the Investment Management Agreement and the Company's ability to reinvest capital and obtain additional capital on acceptable terms. In order for the Company to grow, the Investment Manager may be required to hire, train, supervise and manage new employees. However, the Company can offer no assurance that any of those employees will contribute to the work that the Investment Manager carries out on the Company's behalf. Any failure to manage the Company's future growth or to effectively implement the Company's investment strategy could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may borrow through repurchase agreements and is therefore exposed to risks which are additional to those associated with traditional borrowing

The Company has the ability to borrow to fund the acquisition of additional investments, subject to the leverage restrictions set out in its investment policy from time to time. These borrowings may be secured against some or all of the Company's assets and may include the use of "repurchase agreements" entered into with third parties, pursuant to which the Company sells an asset to the counterparty (a "**Pledged Asset**") and agrees to repurchase the Pledged Asset at a specified date and price. As at 31 January 2020, the Company has incurred indebtedness through the use of repurchase agreements accounting for 27.4 per cent. of Net Asset Value.

Given that the term of repurchase agreements are typically not linked to the term length of the Real Estate Credit Investments purchased by the Company, the use of repurchase agreements by the Company involves a variety of risks which are additional to those associated with traditional borrowing methods (please see the risk factor entitled "*Borrowings and increases in operating and other expenses could limit the Company's ability to pay dividends to holders of Shares*" for further information). For example, repurchase agreements may involve the risk that the market value of the assets or securities purchased by the Company with the proceeds of the repurchase agreement may decline below the price it has agreed to pay to the counterparty

on repurchase of the Pledged Asset and, unless the Company raises finance from alternative sources to repay its obligations under the repurchase agreement (which may include sourcing further repurchase agreements), the Company may be required to sell assets on an expedited basis (possibly at a value lower than their fair value), which may result in the Company incurring a loss. This, in turn, would have a material negative effect on the Net Asset Value and the market price of the Shares, and could impact the Company's ability to pay dividends.

Furthermore, if the buyer of the Pledged Asset files for bankruptcy or becomes insolvent, such buyer or trustee or receiver may receive an extension of time to determine whether to enforce the obligations of the Company to repurchase the Pledged Asset and the Company's use of the proceeds of the repurchase agreement may be restrained pending such decision.

Risks associated with the financing arrangements being entered into at the underlying SPV level

An SPV through which the Company makes its investments may enter into financing arrangements in order to enhance the returns on investments (each such financing arrangement, an **"Off Balance Sheet Financing"**). With respect to any Off Balance Sheet Financing a lender will advance funds to the SPV to finance certain Real Estate Credit Investments. If the relevant SPV breaches the terms of an Off Balance Sheet Financing (for example, where an underlying borrower defaults on its obligations to the SPV and the SPV is unable, as a result, to meet its repayment obligations to the relevant lender) in respect of any given Real Estate Credit Investments, the relevant lender under such Off Balance Sheet Finance may: (i) require the Company to immediately fund any such shortfall up to the total undrawn portion of the Company's funding obligations in respect of all Off Balance Sheet Financing provided by that lender to that SPV; or (ii) acquire and/or sell to a third party some or all of the Real Estate Credit Investments financed by such lender in that SPV to meet any repayment obligations to the relevant lender. To this extent, assets held within a single SPV are "cross-collateralised" such that there is a risk that the poor performance of one investment within an SPV could have a negative impact on the other assets held within that SPV.

While this strategy is intended to enhance the returns on investments and diversify the types of leverage utilised by the Company, it could result in the Company being required to realise cash to meet its funding obligations at short notice and accordingly, the Company may bear the risk that it will have to: (i) sell other assets, or borrow funds (if available), to fund a payment to an SPV; and (ii) bear any costs and expenses in relation thereto. Further, if a Real Estate Credit Investment is acquired and/or sold by a lender, the Company will not receive the anticipated return from that Real Estate Credit Investment and any reduction in the value of such investment will be crystallised at the point of disposal. In the event that any of these risks materialise, it will likely have a material adverse effect upon the expected returns which, in turn, could adversely affect the market price of the Shares and/or the Net Asset Value and/or the Company's ability to pay dividends.

Recent or future political developments may adversely affect the Company's business, financial condition, results of operations, Net Asset Value and/or the market price of the Shares

The Company will be subject to various macro political and economic risks incidental to investing in Real Estate Credit Investments. Political, economic, military and other events around the world may impact the economic conditions in which the Company operates, by, for example, causing exchange rate fluctuations (particularly where the Company generates revenue in a currency other than Sterling), interest rate changes, heightened competition, tax disadvantages, inflation, reduced economic growth or recession, each of which may affect the availability of opportunities to invest in Real Estate Credit Investments (either at all or at attractive prices) or may affect cross-border payments due to the Company in respect of its Portfolio. Such events are not in the control of the Company and may impact the Company's performance.

In particular, the United Kingdom withdrew from the European Union on 31 January 2020 ("**Brexit**"). The political, economic, legal and social consequences of this, and the ultimate outcome of the negotiations between the UK and the European Union, are currently uncertain and, may remain uncertain for some time during the transition period ending on 31 December 2020.

During this period of uncertainty, there may be significant volatility and disruption in: (i) the global financial markets generally, which result in a reduction of the availability of capital and debt; and (ii) the currency markets as the value of Sterling fluctuates against other currencies. Such events may, in turn, contribute to worsening economic conditions, not only in the UK and Europe, but also in the rest of the world.

The nature of the United Kingdom's future relationship with the European Union may also impact and potentially require changes to the Company's regulatory position. However, at present, it is not possible to predict what these changes may be.

Investors should be aware that if any of these risks materialise, they could have an adverse effect on the Company's Investment Portfolio, financial condition, results of operations and prospects, with a consequential adverse effect on the market value of the Shares and the Company's ability to pay dividends.

Changes in law or regulations underpinning the Company's regulatory environment, or a failure to comply with any laws or regulations, may adversely affect the businesses, investments and performance of the Company and the Investment Manager

The Company, as a Guernsey-incorporated closed-ended investment company trading on the Main Market and listed on the premium listing category of the Official List, is subject to laws and regulations in such capacity, including the Listing Rules, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules, MAR, the AIFM Directive, the PRIIPs Regulation, the AIC Code, the Rules and the Companies Law. The Company is subject also to the continuing obligations imposed on all investment companies whose shares are admitted to trading on the Main Market and to listing on the premium listing category of the Official List. These rules, regulations and laws govern the way that, amongst other things, the Company can be operated (i.e. its governance), how its Shares can be marketed and how it must deal with its Shareholders, together with requiring the Company to make certain reports, filings and notifications (and governing their respective content).

Additional laws may apply to the vehicles in which the Company makes investments or may apply to investment in Real Estate Credit Investments generally. Those laws and regulations and their interpretation and application may also change from time to time and, where such change represents a material deviation from the current position in a manner which imposes significant new burdens on the Company or the operation of its business, those changes could have a material adverse effect on the Company's business, investments and results of operations.

The laws and regulations affecting the Company are evolving, in particular given that the impact of the United Kingdom leaving the European Union, following the transition period, is not known as at the date of this Prospectus. Any changes in such laws and regulations may have an adverse effect on the ability of the Company to carry on its business, for example, increasing the costs of the Company complying with such new or modified laws and regulations or in the case of adverse changes in law in royalty collection, by reducing the revenue received by the Company. Any such changes may have an adverse effect on the ability of the Company to pursue its Investment Objective and Policy, and may adversely affect the Company's business, financial condition, prospects, results of operations, in extreme scenarios, may adversely affect the market price of the Shares and/or the Net Asset Value and/or the Company's ability to pay dividends.

The value of the Company's loans may be subject to jurisdiction-specific insolvency regimes

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

It should also be noted that a number of Western European jurisdictions operate "debtor-friendly" insolvency regimes which could result in delays in payments where obligations, debtors or assets thereunder are subject to such regimes. The different insolvency regimes applicable in the different European jurisdictions result in a corresponding variability of recovery rates for loans entered into or issued in such jurisdictions.

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

Investments will be subject to differing laws regarding creditors' rights and enforceability of security in the jurisdictions in which it invests or where the borrower is incorporated, and may be required to use different contractual arrangements and structures in such jurisdictions

The Company's investments and the collateral underlying those investments may be subject to various laws for the protection of creditors in the jurisdictions of incorporation of the issuers or borrowers and, if different, the jurisdictions from which they conduct business and in which they hold assets (such as the jurisdiction of the underlying obligors in respect of the assets), which may adversely affect the Company's ability to take control of or sell the underlying security in a default. These insolvency considerations may also differ depending on the legal status of the obligor. Additionally, the Company, as a creditor, may experience less favourable treatment under different insolvency regimes than apply in the UK, including where it seeks to enforce any security it may hold as a creditor.

Aside from the UK, the Company invests in Real Estate Credit Investments in Western European jurisdictions and these investments may be subject to different laws and regulations dependent on the jurisdiction in which the borrower under the loan is incorporated. This may mean that, in order to invest in a loan or loans, the Company will be required to adopt particular contractual arrangements and structures in order to satisfy the legal and regulatory requirements of a particular jurisdiction. As a result the Company may be exposed to contractual arrangements that differ from those that the investors are familiar with in the United Kingdom (for example, in relation to enforcement rights and rights to receive information). The Company will also seek, to the extent possible, to invest through appropriate structures to minimise or eliminate potential withholding taxes on payment received from borrowers. However, there is no assurance that such measures will be successful in mitigating or reducing any adverse effect on the Company's business, financial condition or results of operations resulting from the different contractual structure, creditors' rights or legal regimes in such other jurisdictions.

The Company's investments are subject to prepayments, increasing re-investment risk

The Company's valuations take into account expected levels of prepayment on the assets in which it invests.

The Company's investments and the assets that collateralise them may prepay more quickly than expected and have an impact on the value of the Investment Portfolio. Prepayment rates are influenced by changes in interest rates and a variety of economic, geographic and other factors beyond the Company's control and consequently cannot be predicted with certainty. In addition, for a securitisation originator there is often a strong incentive to refinance well-performing portfolios once the senior tranches amortise, and an originator will typically have the right to redeem outstanding bonds once 90 per cent. of the original principal amount outstanding has been repaid in a "clean-up call". The yield to maturity of the investments will depend on, *inter alia*, the amount and timing of payments of principal on the underlying mortgage loans and the price paid for the investments. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the mortgages. Prepayments on the mortgage loans may result from refinancings, voluntary sales of properties by borrowers, or as a result of enforcement proceedings under the relevant mortgage loans. The rate of prepayment of the mortgage loans cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and, with respect to residential mortgage loans, homeowner mobility. Therefore, no assurance can be given as to the level of prepayments that the relevant investment will experience.

Early prepayments may also give rise to increased re-investment risk with respect to certain investments, as the Company may realise excess cash earlier than expected. If the Company is unable to reinvest such cash in a new investment with an expected rate of return at least equal to that of the investment repaid, this may reduce the Company's net income and, consequently, could have an adverse impact on the Company's ability to pay dividends.

The Company may face increased competition in sourcing and making investments and such competitive pressures may have an adverse effect on the Company's profitability

Competition in respect of Real Estate Credit Investments is strong and may increase, and some of the Company's competitors may have greater financial, technical and marketing resources, meaning that the Company may not be able to compete successfully for investments. In addition, potential competitors of the Company may have higher risk tolerances or different risk assessments or access to different sources of funding, which could allow them to consider a wider variety of investments and establish better

relationships with borrowers or developers than the Company. Furthermore, competition for investments may lead to the price of such investments increasing which may further limit the Company's ability to generate its desired returns. The Company may lose investment opportunities in the future if it does not match investment prices, structures and terms offered by competitors. Alternatively, the Company may experience decreased rates of return and increased risks of losses if it matches investment prices, structures and terms offered by competitors. There is therefore a risk that competitive pressures may have an adverse effect on the Company's profitability, the market price of its Shares and/or its Net Asset Value and the Company's ability to pay dividends.

The Company is subject to interest rate risk

Interest rate risk is the risk that the fair value and future cash flows of an investment will fluctuate because of changes in market interest rates. Interest rate risk will apply to the various types of asset in the Investment Portfolio in different ways.

In calculating the price to be paid for an investment, the Investment Manager will, among other considerations, use an estimate of the changes in LIBOR and EURIBOR over the life of the investment to establish possible cash flows. If the actual LIBOR and EURIBOR is lower from time to time than the estimate made prior to investment, the yield on an investment will fall and not match the expectations that the Investment Manager had on acquisition. Investors should note that changes to the LIBOR regime may adversely impact the revenues generated from the Company's Investment Portfolio; further details of these changes and the potential risks for the Company are set out in the risk entitled "Proposed reforms to various interest rate benchmarks may affect the amounts received by the Company from its portfolio of Real Estate Credit Investments" below. Investments will also be exposed to interest rate risk through changes in interest rates potentially having an effect on prepayments and defaults of loans or the underlying loans of MBS. Any adverse changes to market interest rates or the replacement to the LIBOR regime may cause the Company to be required to pay a higher amount for its borrowings, or may result in lower returns being generated from its Investment Portfolio which, in either case, may adversely affect the market price of the Shares and/or the Net Asset Value and/or the Company's ability to pay dividends.

Proposed reforms to various interest rate benchmarks may affect the amounts received by the Company from its portfolio of Real Estate Credit Investments

In calculating the price to be paid for an investment, the Investment Manager will, among other considerations, use an estimate of the changes in LIBOR and EURIBOR over the life of the investment to establish possible cash flows.

Various interest rate benchmarks (including LIBOR and the EURIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause benchmarks to perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted.

For example, in the EU a regulation on indices used as benchmarks in financial instruments and financial contracts (the "**Benchmark Regulation**") was published in the Official Journal of the EU on 29 June 2016 and has been in effect since 1 January 2018. Among other things, the Benchmark Regulation:

- I. applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU;
- II. requires benchmark administrators to be authorised or registered (or, if non-EU based, to be subject to an equivalent regime or otherwise recognised or endorsed);
- III. prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed);
- IV. the methodology or other terms of the "benchmark" could be changed in order to comply with the terms of the Benchmark Regulation; and
- V. an index may be discontinued if it does not comply with the requirements of the Benchmark Regulation, or if its administrator does not obtain authorisation.

More broadly, any of the international or national reforms, or the general increase in regulatory scrutiny of benchmarks, could result in participants no longer submitting rates used for the calculation of such benchmarks or could otherwise increase the costs and risks of administering or participating in the setting of a benchmark and complying with any such regulations or requirements. For example, on 27 July 2017, Andrew Bailey, the former Chief Executive of the FCA, announced the FCA's intention to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021 (the "**FCA Announcement**"). Further, on 12 July 2018, the FCA announced that LIBOR may cease to be a regulated benchmark under the Benchmark Regulation. The FCA Announcement indicates that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom, the United States or elsewhere.

The use of LIBOR as a benchmark rate is pervasive throughout financial markets including those markets in which the Company operates. The FCA envisages that market participants will transition away from LIBOR towards replacement benchmarks. At this time, no consensus exists as to what rate or rates may become accepted alternatives to LIBOR.

Investors should be aware that:

- I. any of the international, national or other measures or proposals for reform, or general increased regulatory scrutiny of "benchmarks" could have a material adverse effect on the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or participate in certain "benchmarks", trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the disappearance of certain "benchmarks";
- II. any of these changes or any other changes to a benchmark could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be; and
- III. returns on the Real Estate Credit Investments are not directly dependent on these interest rate benchmarks, but a substantial proportion of the Investments may be held in floating rate investments that are dependent on benchmarks of this type and accordingly these reforms could indirectly adversely affect the returns achievable by the portfolio of Real Estate Credit Investments and, by extension, may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares.

The due diligence process that the Investment Manager undertakes in connection with the Company's investments may not reveal all facts that may be relevant in connection with an investment

Before the Company makes any investment, the Investment Manager conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, including enabling the Investment Manager to evaluate the fair value of such investments.

When conducting due diligence and making an assessment regarding an investment, the Investment Manager will rely on resources available to it, including information provided by the originator of the investment. Accordingly, there can be no assurance that the due diligence investigation that the Investment Manager carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such an investment opportunity. Moreover, there can be no assurance that such an investigation will result in an investment being successful.

Reliance on information provided by third parties

In addition to the Investment Manager relying on information from third parties as part of its due diligence process (as outlined in the above risk factor), the Investment Manager will also rely on information provided by third parties in connection with the ongoing valuation of the Company's Investment Portfolio, and any ad hoc valuations of such investments in the event of a disposal.

The price paid for an investment will be made based on, amongst other considerations, information provided by third parties including the borrower, property valuation agent and facility agent, and it may take some time for the Investment Manager to receive sufficient information to allow it to enable it to revalue the asset. Although the Investment Manager will monitor the investments on an ongoing basis and will review relevant information it receives (including periodic collateral and performance data) to determine if any amendment should be made to the asset's value, the Investment Manager will often not be in a position to confirm the completeness, genuineness or accuracy of all such information and data. As a result there can be no assurance that the values of the Company's assets will be consistent with any potential values which might be suggested by third parties.

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

The Company invests in real estate assets only and may be subject to concentration risk in its Investment Portfolio

While the Investment Manager will regularly monitor the concentration of the Company's portfolio and its exposure to any given servicer of underlying assets, concentrations by industry, region and country may arise from time to time. For example, at any given time, certain geographic areas or sectors may provide more attractive investment opportunities than others and, as a result, the Investment Portfolio may, within the parameters set out in the Company's investment policy, be concentrated in those countries or regions or specific sectors in those countries or regions or with respect to particular servicers. The risk that payments on the Company's investments could be adversely affected by defaults on debt obligations or the general deterioration of underlying portfolios of assets is likely to be increased to the extent that the Investment Portfolio is concentrated in such a way as a result of downturns relating generally to such industry, region or country.

There may be circumstances in which the Company is required to dispose of an asset from the Investment Portfolio to comply with its investment policy and borrowing policy

There may be circumstances in which the Company is required to dispose of an asset in order to comply with the investment policy and the price achieved on such a sale may not be as favourable as the amount that would have been realised on maturity or the price that would be achieved on the sale of an asset in the ordinary course of business.

Further, the Company's investment policy stipulates that the Company can borrow up to 40 per cent. of Net Asset Value for investment purposes and, in addition, up to 10 per cent. of Net Asset Value for working capital purposes. There is a risk that the Company's borrowing limit may then be exceeded in certain circumstances. In this scenario, the Company may be obliged to dispose of an asset in order to comply with its borrowing limits and in doing so may not achieve the full value of the asset.

Though the circumstances where the Company is required to dispose of an asset on expedited and less favourable terms is considered to be relatively limited, in such circumstances there may be an adverse impact on the market price of the Shares and/or the Net Asset Value and/or the Company's ability to pay dividends.

Assets in the Investment Portfolio may be illiquid in the future and such illiquidity may adversely affect the Company's ability to realise liquidity or vary the Investment Portfolio in a timely fashion

The Company may purchase investments in privately negotiated (also called "over the counter" or "OTC") transactions. Such investments may not be registered under relevant securities laws or otherwise may not be freely tradable, resulting in restrictions on their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. Further, where the Company acquires investments for which there is not a readily available market, the Company's ability to deal in any such investment or obtain reliable information about the value of such investment or risks to which such investment is exposed may be limited.

As a result of this illiquidity, where the Company is required to dispose of any assets in its Investment Portfolio on an expedited basis (which, as noted in the risk factor above entitled “*The Company may borrow through repurchase agreements and is therefore exposed to risks which are additional to those associated with traditional borrowing*”, is considered to be unlikely), the Company’s ability to realise assets, vary the Investment Portfolio in a timely fashion or to receive a fair price may be limited which in turn may negatively impact the Net Asset Value or the Company’s business, financial condition, results of operations.

The Company may invest in assets with no or limited performance or operating history

The Company may invest in assets with no or limited investment history or performance record upon which the Investment Manager and the Company is able to evaluate their likely performance. The Company’s investments in entities with no or limited operating history are subject to all of the risks and uncertainties associated with a new business, including the risk that such entities will not achieve target returns. Consequently, the Company’s profitability, the price of the Shares and/or the Net Asset Value per Ordinary Share could be adversely affected.

RISKS RELATING TO LOANS

The subordinated loans originated or invested in by the Company are contractually and/or structurally junior to senior loans and may be exposed to greater risk of default and lower recoveries in the event of a default

The Company invests in senior loans, subordinated loans, mezzanine loans and convertible loans. Subordinated loans originated or invested in by the Company are contractually and/or structurally junior to senior loans and may be exposed to greater risk of default and lower recoveries in the event of a default. Additionally the protection afforded to subordinated loans (such as financial covenants) may be inferior to other more senior loan classes. Consequently, subordinated loans are subject to the additional risks that the cash flow of the borrower may be insufficient to meet scheduled payments and/or available assets may be insufficient to provide a full recovery in a distressed situation where the borrower has other higher ranking obligations. The mezzanine loans in which the Company invests may be issued with or without registration rights and are usually subordinated to other obligations of the issuer and may be unsecured, thereby increasing the risk of non-payment. The convertible loans in which the Company may also invest are below investment grade subordinated debt instruments that include an equity component (i.e. with attached warrants) or which may be convertible into equity securities. Some of the Company’s investments may also have structural features that divert payments of interest and/or principal to more senior creditors secured by or representing ownership in the same asset or pool of assets when the delinquency or loss experience of the pool exceeds certain levels. Such loans sit at the bottom of the repayment waterfall and are exposed to the greatest risk of default and, given their subordination, are likely to result in the lowest recoveries and interruptions in the income stream received by the Company in the event of default, which may lead to the Company having less income to distribute to Shareholders and may adversely affect the market price of the Shares or the Net Asset Value.

Loans may be of limited recourse and if the borrower under a senior loan originated by the Company defaults, the Company may recover only a fraction of what is owed on the senior loan or nothing at all

Senior loans hold the most senior position in the capital structure of a business entity and are typically, but not necessarily, secured with specific collateral (including real estate assets) that is senior to that held by unsecured creditors, subordinated debt holders and stockholders of the borrower. The senior loans that the Company will originate and in which it will invest are likely to be collateralised by real estate and may be rated below investment grade or may also be unrated. As a result, the risks associated with senior loans are similar to the risks of below investment grade instruments, although senior loans are typically senior and secured in contrast to other below investment grade instruments, which may be subordinated and/or unsecured. Nevertheless, if a borrower under a senior loan defaults, becomes insolvent or goes into bankruptcy, the Company may recover only a fraction of what is owed on the senior loan or nothing at all. Senior loans are subject to a number of risks described elsewhere in this Prospectus, including credit risk and liquidity risk.

In the event of a default or insolvency by a borrower, the Company may only have recourse to the real estate assets and may not have recourse to additional security, personal guarantees or other forms of collateral. Therefore, although the senior loans in which the Company will invest may be secured by real estate

collateral, there can be no assurance that such collateral could be readily liquidated or that the liquidation of such collateral would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal. In the event of the bankruptcy or insolvency of a borrower, the Company could experience delays or limitations with respect to its ability to realise the benefits of the collateral securing a senior loan. Such collateral may be subject to complex, competing legal claims 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. In addition, security interests may be unperfected for a variety of reasons, including the failure to make required filings by lenders, and the Company may not have priority over other creditors. In the event of a decline in the value of the already pledged collateral, if the terms of a senior loan do not require the borrower to pledge additional collateral, the Company will be exposed to the risk that the value of the collateral will not at all times equal or exceed the amount of the borrower's obligations under the senior loans. Even if such loans do require the borrower to pledge additional collateral, there is no guarantee that the borrower will be able to pledge additional collateral of sufficient value or at all. To the extent that a senior loan is collateralised by stock in the borrower or its subsidiaries, such stock may lose some or all of its value in the event of the bankruptcy or insolvency of the borrower. Those senior loans that are under-collateralised involve a greater risk of loss. Where such collateral cannot be liquidated or the liquidation of such collateral does not satisfy the borrower's obligation, it will likely have an adverse effect upon the expected returns which could be material depending on the quantum of any such shortfall. This, in turn, could adversely affect the market price of the Shares and/or the Net Asset Value and/or the Company's ability to pay dividends.

Risks related to defaulted loans

Loans that the Company invests in are subject to credit, liquidity and interest rate risk. Any loan 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 loan documents. In the event of any default on a loan by the borrower, the Company will bear a risk of loss of principal and accrued interest on the loan, which could have a material adverse effect on the value of the Company's investment. A defaulted loan 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, a substantial change in the terms, conditions and covenants with respect to such defaulted loan and may entail further lending by the Company.

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 loan or recovery of any additional capital loaned as part of a restructuring. Such situations entail substantial costs for the lender and create a strain on its resources, further affecting the value of the loan. The liquidity in defaulted loans may be limited, and to the extent that defaulted loans are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon. The Company may also have to lend further capital as part of a restructuring in the event of a defaulted loan, and there is no guarantee that it will be able to recover the original principal or the further amounts loaned.

Where loans become defaulted, the crystallising of any of the above risks could have an adverse impact on the market price of the Shares and/or the Net Asset Value and/or the Company's ability to pay dividends.

Repayment of loans by a borrower may be dependent on the availability of appropriate refinancing options to a borrower

Upon the maturity of a loan, in order to repay the loan, a borrower may either sell the underlying asset to or seek to refinance the loan with an alternative lender. There is no certainty that appropriate refinancing options will be available to a borrower on maturity of any loan. If a borrower is unable to sell the underlying asset or if the proceeds from the sale of the underlying asset are not sufficient to repay the loan and no appropriate refinancing options are available to the borrower, the Company's loan may not be repaid which may have an adverse effect on the Net Asset Value and the Company's performance (including the Company's ability to pay dividends).

Early repayment may affect the value of the Investment Portfolio

Loans in which the Company intends to invest generally have maturities ranging from 3 to 5 years. Given that loans may be repaid early, the actual maturity of loans may be 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 loans, whether as a contractual requirement or at their election, may be affected by general business conditions, the type and value of prepayment penalties charged to the borrower, market interest rates, the borrower's financial condition and competitive conditions among lenders. Prepayments of loans held by the Company may be made when interest rates in the real estate loan markets are lower. Such prepayments may result in the Company replacing such loans with lower-yielding investments, leading to lower returns on the Investment Portfolio and adversely affecting the Company's performance (including the Company's ability to pay dividends).

The interest rate of a loan may be affected by the Company's inability to syndicate a loan

The Company may provide borrowers with a whole loan at an interest rate that does not achieve the Company's target returns. In such instances, the Company would seek to divide the whole loan into a senior and junior loan, syndicate the senior loan into the markets and retain the junior loan which would have the desired return. However, if the Company fails to syndicate the senior loan, the return from the original whole loan investment may be below the Company's target return. This will have a negative impact on the total return from that investment and therefore impact on the Net Asset Value and the ability of the Company to pay dividends.

Loans originated to small entities expose the Company to additional risks

The entities to which the Company is likely to originate loans will be small, private companies and special purpose vehicles, rather than larger, more established companies. Investments in such entities expose the Company to risks which are additional to those generally associated with other types of loans (without a commensurate return), as described elsewhere in this section of this Prospectus.

The additional risks associated with originating loans to smaller entities include that such entities:

- (i) may have limited financial resources and a reduced ability to meet their obligations;
- (ii) typically have shorter operating histories, smaller market shares than larger businesses and may be less geographically diverse, which tends to render them more vulnerable to competitors' actions and market conditions, as well as declines in the property market;
- (iii) tend to release less public information and their financial information is typically subject to rules that are less onerous than those that govern public companies;
- (iv) may have difficulty accessing the capital markets to meet future capital needs; and
- (v) tend to obtain loans evidenced by privately negotiated documentation and which are not necessarily based on any particular industry standard (for example, the Loan Market Association or the Loan Syndicate Trading Association).

As a result of these additional risks, the Company's exposure to small entities carries with it a greater risk of default by the loan recipient and this can negatively impact the Company's returns, its Net Asset Value and the market price of the Shares.

The Company may acquire different contractual rights depending on the way in which it invests in loans

The contractual rights of the Company, in relation to the loans that it acquires, will depend on the way in which the Company acquires the loans. It is intended that the Company may acquire interests in loans either (i) directly or (ii) indirectly by way of sub-participation.

Acquisition of a sub-participation interest in a loan may result 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 Company 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. As a result, the Company will assume credit risk in relation to both the borrower and the entity which is sub-participating its interest under the loan.

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

The collateral and security arrangements in relation to loans made by the Company may not have been properly created or perfected under any applicable legal or regulatory requirements (notwithstanding the belief or expectation that they have been) or may be subject to other legal or regulatory restrictions. If the loans in which the Company invests do not benefit from the expected collateral or security arrangements this may affect the value of the investments made by the Company.

Origination and intermediation of loans in certain jurisdictions can amount to a regulated activity and as such may limit the range of investments available to the Company

Origination and intermediation of loans in certain jurisdictions can amount to a regulated activity and therefore the Company and/or the Investment Manager would typically be required to obtain regulatory approval as a pre-condition of being able to carry on such activities in those jurisdictions. An inability to originate loans in such a jurisdiction, due to lack of appropriate authorisation, may limit the range of investments available to the Company. Such inability may require the Company to enter into arrangements with intermediaries who have such authorisations, most typically banking institutions, to assist with loan origination or intermediation. To the extent the Company determines to pursue such a strategy, it is likely to increase expense and reduce returns to the Shareholders and may expose the Company to the credit risk of such intermediary. Further, the application of such laws and regulations is often complex to determine and highly specific to the individual circumstances of the Company and the proposed borrower. This means that the Company may incur significant legal, tax and other advisory fees in its efforts to ensure it acts in compliance with such laws and regulations. Such determinations will often ultimately depend upon the professional judgment of the Company's advisers in the relevant jurisdiction and, it is therefore possible, that a regulatory authority may dispute such determinations with potentially adverse consequences for the Company.

There has been commentary amongst regulators and intergovernmental institutions, including the Financial Stability Board and International Monetary Fund, on the topic of so called "shadow banking" (a term generally taken to refer to credit intermediation involving entities and activities outside the regulated banking system). The Company is an entity outside the regulated banking system and certain of the activities of the Company may be argued to fall within this definition and, in consequence, may be subject to regulatory developments. It is the Investment Manager's belief that the Company could be subject to increased levels of oversight and regulation. This could increase costs and limit the Company's operations. In extreme circumstances, it is possible that such regulations could render the continued origination activities of the Company unviable and the Company may therefore opt to discontinue such origination business, which may have a negative impact on its returns and Net Asset Value, as well as the market price of Shares.

RISKS RELATING TO MBS

Commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and enforcement than lending on the security of single family residences

In Europe, commercial mortgage loans are generally viewed as exposing a lender to a greater risk of loss through delinquency and enforcement than lending on the security of single family residences. The ability of a borrower to repay a loan secured by income-producing property typically is dependent primarily upon the successful operation and operating income of such property (i.e. the ability of tenants to make lease payments, the ability of a property to attract and retain tenants, and the ability of the owner to maintain the property, minimise operating expenses, and comply with applicable planning and other laws) rather than upon the existence of independent income or assets of the borrower. Most commercial mortgage loans provide recourse only to specific assets, such as the property and not against the borrower's other assets or personal guarantees.

Commercial mortgage loans that will be acquired or originated by the Company generally do not fully amortise, which can necessitate a sale of the property or refinancing of the remaining "balloon" amount at or prior to maturity of the mortgage loan. Accordingly, investors in commercial mortgage loans and commercial mortgage-backed securities bear the risk that the borrower will be unable to refinance or otherwise repay the mortgage at maturity, thereby increasing the likelihood of a default on the borrower's obligation. In certain circumstances, the creditors may also become liable upon taking title to an asset for environmental or structural damage existing at the property.

The value of the Company's CMBS will be influenced by the historical rate of delinquencies and defaults experienced on the underlying commercial mortgage loans and by the severity of loss incurred as a result of such defaults.

Factors influencing delinquencies, defaults and loss severity include (a) economic and real estate market conditions by industry sectors; (b) the terms and structure of the mortgage loans; and (c) any specific limits to legal and financial recourse upon a default under the terms of the mortgage loan.

Investors should note that the risks described in this risk factor apply equally to the commercial real estate loans invested in or originated by the Company. Furthermore, the risk that a creditor becomes liable for environmental or structural damage when taking title to a defaulting asset applies across the universe of assets invested in by the Company.

Should any of these risks materialise, they are likely to have a material negative impact on its returns and Net Asset Value, as well as the market price of Shares, and the ability of the Company to pay dividends.

Residential mortgage backed securities are exposed to prepayment, valuation and credit risk

The risks associated with investment in RMBS include: (i) prepayment risk – the Company may receive payments in respect of an investment in RMBS, generally, from the payments that are made on mortgage loans securing the RMBS. The yield and payment characteristics of RMBS differ from traditional debt securities. Interest and principal prepayments are made more frequently, usually quarterly or monthly, over the life of the mortgage loans, and principal may be prepaid prior to the anticipated time due to prepayment of the underlying mortgage loans and an inability of the RMBS issuer to reinvest the proceeds of such prepayments in substitute assets (which may be a planned part of the structure of the RMBS, or due to the inability of the issuer of the RMBS to source substitute mortgage loans within the parameters of the RMBS. Changes in prepayment rates are difficult to predict and therefore if prepayments are faster or slower than expected on underlying mortgage loans this can alter the yield to maturity of an RMBS (particularly in fixed rate RMBS), thus affecting the Company's returns and its Net Asset Value. Prepayment rates also may be affected by conditions in the housing and financial markets, the level of interest rates, general economic conditions and the relative interest rates on fixed-rate and adjustable-rate mortgage loans; (ii) valuation – RMBS are not traded on an organised exchange and may, therefore, be difficult to value; and (iii) credit risk – investment in RMBS is subject to credit risk, i.e. the risk that an issuer of an RMBS will be unable to pay principal and interest when due, or that the value of the security will suffer because investors believe the issuer is less able to pay. A default, downgrade or credit impairment of any of the investments could result in a significant or even total loss of the investment which, depending on the size of such investment, could materially, negatively impact the Company's returns, its Net Asset Value and the market price of its Shares and the Company's ability to pay dividends.

The MBS may become illiquid and require a model valuation

The MBS held by the Company are currently valued using available market prices. Should there be a decrease in liquidity in the applicable market, this may have an impact upon the valuation of the bonds and consequentially adversely affect the Net Asset Value and/or Share price. Where any such illiquidity results in there being no available market price or, in the view of the Investment Manager and the Company, an available market price is not reflective of the true value of an asset, the Investment Manager may choose to adopt an alternative valuation methodology in respect of MBS and other Real Estate Credit Investments held. Alternative valuation methodologies may include the use of a financial model to calculate an appropriate valuation. Such financial models may rely on assumptions and estimates, not all of which can be confirmed, whether readily or at all. As a result, the resulting valuations may differ materially from the values that may have been used if an efficient market for those investments was in place at all times. The value of the Shares and the Net Asset Value could be adversely affected if the Investment Manager's determinations regarding the fair value of the Company's investments are materially higher than the values that the Company ultimately realises to maturity of the investments or upon their disposal.

The performance of many of the Company's investments in MBS may depend to a significant extent upon the performance of the servicers of the underlying asset portfolio

The Company will not control the portfolios of assets underlying the MBS in which it invests and will rely on the servicers of the MBS to administer and review the portfolios. The actions of the servicer, including its ability to identify and report on issues affecting the portfolio on a timely basis, may affect the Company's

return on its investments, in some cases significantly. In addition, concentration of a significant number of the Company's investments with one servicer could affect the Company adversely in the event that the servicer fails to fulfil its function effectively or at all. In the event of fraud by any entity in which the Company invests or by other parties involved with the entity, such as servicers or cash managers, the Company may suffer a partial or total loss of the amounts invested in that entity.

RISKS RELATING TO VALUATION

The value of underlying real estate and the rental income it produces may fluctuate as a result of factors which are outside the Company's control

Rental levels and market values of real estate in the UK and Western Europe are generally affected by overall conditions in the economy, political factors and one-off events, such as the condition of the financial markets, the availability of finance to businesses and consumers, the effectiveness of fiscal and monetary policies in stabilising economic conditions, changes in government legislation, political developments including changes in regulatory or tax regimes, increases in unemployment and related declines in consumer spending, an oversupply of, or a reduction in demand for, retail space or consumer goods, infrastructure quality, financial performance and the productivity of industries located in these countries, relocations or insolvency of tenant businesses and armed conflicts or terrorist attacks. Certain types of these risks (for example, risk of armed conflicts or terrorist acts, certain natural disasters or weather catastrophes, such as flooding, as well as certain "acts of god") may in the future become uninsurable or not insurable on economic terms.

The UK and Western European commercial real estate markets are also affected by a number of other factors which may significantly impact the value of commercial real estate investments. These factors include, but are not limited to, interest rates and credit spreads, levels of prevailing inflation, the global and national availability of financing for businesses and consumers, the returns from alternative investments as compared to real estate and changes in planning, commercial lease and tax laws and practices. In particular, commercial real estate values are dependent on current rental values and occupancy rates, prospective rental growth, lease lengths, tenant creditworthiness and solvency and investment yields together with the nature, location and physical condition of the real estate concerned. By way of example, as a result of the global financial crisis, global financial markets experienced considerable variations in the valuations of securities, an acute contraction in the availability of credit, the failure of a number of leading financial institutions and an increase in the cost of financing.

The ability of a commercial borrower to repay a mortgage loan may be affected by many factors, such as the success of tenant businesses, property management decisions, changes in laws that increase operating expense or limit rents that may be charged, declines in regional or local real estate values or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, increases in unemployment, increase in leverage as a percentage of property values and increases in the percentage of income that borrowers must use to service their mortgages.

Any significant volatility of the valuation of the Company's Investment Portfolio may result in the Net Asset Value being materially lower than the Company had estimated, which may have a material adverse effect on the market price of the Shares and the Company's ability to pay dividends.

The value, price and/or income from investments may be affected by currency movements or macro fluctuations and hedging transactions to reduce such exposure may limit gains or result in losses

The Company's accounts are denominated in Sterling while investments may be made and realised in other currencies. Changes in rates of exchange may have an adverse effect on the value, price or income of the investments. A change in foreign currency exchange rates may adversely impact returns on the Company's non-Sterling-denominated investments. The Company's principal non-Sterling currency exposure is currently the Euro, but this may change from time to time.

The Company may use derivative transactions to reduce its exposure to interest rate and currency fluctuations. As at the date of this Prospectus, the Company uses Sterling:Euro options and forwards to hedge its currency exposures. A hedge position or other derivative transaction may not be effective in eliminating all of the risks inherent in any particular position and there can be no guarantee that suitable instruments for hedging will be available at times when the Company wishes to use them. Further, the Company is under no obligation to enter into hedging arrangements in respect of currency, interest rate or

other macro fluctuations that may affect the Investment Portfolio or one or more classes of Shares and Shareholders and investors should have no expectation that any such hedges will be entered into by the Company from time to time.

The Company may realise losses on a hedge position that could adversely impact the Company's ability to pay dividends and may result in poorer overall performance than if such hedging transactions had not been executed. Where the Company utilises such hedging transactions, the Company will also be exposed to the credit risk of the relevant counterparty with respect to relevant payments under derivative instruments. Failure by a counterparty to make payments due under a derivative instrument will reduce the Company's income and, consequently, could have an adverse impact on the Company's ability to pay dividends or on its Net Asset Value and/or Share price.

Real estate valuation is inherently subjective and uncertain

The valuation of real estate, and therefore the valuation of any investment in the Investment Portfolio, is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. To the extent that valuations of the Company's investments prove to be inaccurate or do not fully reflect the value of the underlying assets, whether due to the above factors or otherwise, this may have an adverse effect on the Company's financial condition, business, prospects and results of operations and, consequently, the Net Asset Value and/or the market price of the Shares.

In addition, any valuations relied on by the Investment Manager will reflect the position only at the valuation date, and market volatility since the date of any such valuations and over the longer term may cause significant declines in the value of the real estate. In determining these values, the Investment Manager will undertake its own internal valuation of the underlying collateral and such valuations will not be subject to independent verification or review. Assessing real estate valuations is inherently more uncertain in market conditions in which there are low transaction flows as there is a more limited number of comparable transactions against which to assess the value of particular real estate assets. To the extent that valuations of the Company's investments prove to be inaccurate or do not fully reflect the value of the underlying assets, whether due to the above factors or otherwise, this may have an adverse effect on the Company's financial condition, business, prospects and results of operations and, consequently, the Net Asset Value and/or the market price of the Shares.

RISKS RELATING TO THE INVESTMENT MANAGER

The Company's performance is heavily reliant on the Investment Manager and its investment professionals

The Company does not currently have any employees or own any facilities, and depends on the Investment Manager for the day-to-day management and operation of the Company's business. The Company's ability to achieve its investment objectives depends on its ability to grow and manage its Investment Portfolio effectively, which depends, in turn, on the Investment Manager's ability to identify, invest in and monitor a suitable number of investments and implement the various aspects of its investment strategy. Achieving growth on a cost-effective basis is largely a function of the Investment Manager's structuring of the investments process, its ability to provide competent, attentive and efficient services under the Investment Management Agreement and the Company's ability to reinvest its capital and to obtain additional capital on acceptable terms. The Investment Manager's investment professionals have substantial responsibilities under the Investment Management Agreement. Any failure to manage the future growth of the Company or to effectively implement the Company's investment strategy could have a material adverse effect on the Company's profitability, the price of the Shares and/or their Net Asset Value per Ordinary Share.

The Company believes that its success and the success of certain of the investments in which the Company invests will depend upon the experience of the Investment Manager and its continued involvement in the Company's business, in particular the success of the Investment Manager's investment process described in this Prospectus. The Investment Manager has the right to resign its appointment and terminate the Investment Management Agreement in accordance with the notice provisions described in the section headed "Termination under the Investment Management Agreement" in Part III of this Prospectus. If the Investment Manager were to cease to provide services under the Investment Management Agreement or to cease to provide investment management, operational and financial advisory services to the Company for any reason, the Company is subject to the risk that no suitable replacement will be found and would

likely experience difficulty in making new investments, the Company's business and prospects would be materially harmed and the value of the Company's existing investments, the Shares and the Company's results of operations and financial condition would be likely to suffer materially.

The Investment Manager is authorised and regulated by the FCA. If the Investment Manager fails to comply with legal and regulatory requirements, the Company and the market price of its Shares may be adversely affected

The provision of investment management services is regulated in the United Kingdom, and the Investment Manager is authorised and subject to regulation and supervision by the FCA (which has the authority to review and investigate the conduct of the Investment Manager and its employees). Changes to statutes, regulations or regulatory policies (including changes in interpretation or implementation thereof), or any failure by the Investment Manager or its employees to comply with such laws, regulations or policies could adversely impact the Investment Manager, and thereby could adversely affect the Company and its Share price. Although the Investment Manager has implemented systems and controls requiring employees to comply with these laws, regulations and policies, there can be no assurance that all employees will abide by these and, if any were to fail to do so, that such failure would not have an adverse effect on the Company.

There can be no assurance that the Company will be able to find a replacement manager if the Investment Manager resigns

Under the terms of the Investment Management Agreement, the Investment Manager may terminate its appointment at any time by giving not less than three months' notice, provided that such termination shall not take effect until (i) the date falling six months after the date on which the Investment Manager gave such notice or (ii) if earlier, the date on which the Company appoints a replacement investment manager. The Directors would, in these circumstances, have to find a replacement manager to the Company and there can be no assurance that such a replacement will be found. In such circumstances, the Directors will put proposals to the Shareholders which shall include an option to wind up the Company, which is likely to have a material adverse effect on the market price of the Shares and could have an adverse effect on the Net Asset Value

The departure or reassignment of some or all of the Investment Management Team could prevent the Company from achieving its investment objective

The Company depends on the diligence, skill and business contacts of the Investment Manager's investment professionals and the information and deal flow they generate during the normal course of their activities. The Company's future success depends on the continued service of these individuals, who are not obligated to remain employed with the Investment Manager. The Investment Manager has experienced departures of key investment professionals in the past and may do so in the future, and the Company cannot predict the impact that any such departures will have on the Company's ability to achieve its investment objectives. The departure of any of the members of the Investment Management Team or a significant number of its other investment professionals for any reason, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on the Company's ability to achieve its investment objective. The Investment Management Agreement does not require the Investment Manager to maintain the employment of any of its investment professionals. In addition, a transfer of control over the Investment Manager's business could result in the departure or reassignment of some or all of the Investment Manager's investment professionals that are involved in the Company's business.

The Investment Manager's other client relationships may give rise to conflicts of interest

In addition to the Company, the Investment Manager and the Investment Management Team will manage other investment vehicles, which may lead to conflicts of interest. For example, certain investments appropriate for the Company may also be appropriate for one or more other investment vehicles managed by the Investment Manager and/or the Investment Management Team. Therefore, there may be situations where the Investment Manager or the Investment Management Team may decide to allocate a particular investment to another investment vehicle rather than to the Company. Where the Company and one or more other investment vehicles are managed by the Investment Manager and the Investment Manager becomes aware of an investment opportunity that is applicable to both or all of them, the allocation of that investment between the relevant funds (including the Company) will be done on a *pro rata* basis, subject to adjustment in certain circumstances as described in the section entitled "Conflicts" in Part III of this Prospectus. Also, the compensation structures of other investment vehicles managed by the Investment

Manager differ from that provided under the Investment Management Agreement with the Company, and such differences could incentivise the Investment Manager to allocate certain opportunities to these other investment vehicles.

Additionally, the fact that the Investment Manager and its officers and employees manage other vehicles and engage in other business activities may reduce the time the Investment Management Team spends managing the Company's investments. This could adversely affect the Company's ability to achieve its investment objectives, which could have a material adverse effect on the Company's profitability, the price of the Shares and/or the Net Asset Value per Ordinary Share. The Investment Management Team's decision to spend time on other activities besides the management of the Company's investments could be influenced by a variety of factors, including the compensation structures of other investment vehicles as compared to that of the Company and the performance of the various vehicles.

The compensation of the Investment Manager's personnel contains significant performance related elements, and poor performance by the Company or other of the Investment Manager's funds may make it difficult for the Investment Manager to retain staff

In common with most investment managers, the compensation of the Investment Manager's personnel contains significant performance related elements which are funded by management and performance related fees payable to the Investment Manager by its funds in respect of strong performance. Poor performance by any of the Investment Manager's funds, including the Company, may reduce the amount available to pay performance related compensation to the Investment Manager's personnel, which may result in those persons obtaining other employment. In that case, poor performance of the Investment Manager's funds, including the Company, may be further compounded by Investment Manager staff departures. In addition, as the performance related compensation of the Investment Manager's personnel will depend on the performance of more than one fund and not just the Company, poor performance of one fund could adversely impact another, better performing, fund if it led to the departure of Investment Manager personnel.

The liability of the Investment Manager and the Investment Manager's associates is limited under the Company's arrangements with them, and the Company has agreed to indemnify the Investment Manager and the Investment Manager's associates against claims that they may face in connection with such arrangements, which may lead them to assume greater risks when making investment-related decisions than they otherwise would if investments were being made solely for their own account

Under the Investment Management Agreement the Investment Manager has not assumed any responsibility other than to render the services described in the Investment Management Agreement in good faith and will not be responsible for any action that the Company takes in following or declining to follow its advice or recommendations. The Investment Management Agreement limits the liability of the Investment Manager and its associates (including its directors, officers and employees) to the Company to circumstances in which the Investment Manager or its associates have been negligent, in wilful default of their obligations or fraudulent. Accordingly, the rights of the Company to recover against the Investment Manager as a result of its default may be limited and any such recovery by the Company against the Investment Manager may be significantly lower than the loss that the Company has suffered.

The Company has agreed to indemnify the Investment Manager and the Investment Manager's associates to the fullest extent permitted by law from and against any losses, damages, claims, costs, charges, liabilities, demands or expenses incurred by an indemnified person in respect of acts or omissions in connection with the Investment Manager's duties under the Investment Management Agreement except in the case of negligence, wilful default or fraud on the part of such party. These protections may result in the Investment Manager and its associates tolerating greater risks when making investment-related decisions than otherwise would be the case, including when determining whether to use leverage in connection with investments. The indemnification arrangements to which such persons are a party may also give rise to legal claims for indemnification that are adverse to the Company and/or Shareholders.

RISKS RELATING TO THE SHARES

The price of the Company's Shares may fluctuate significantly

The market price of the Shares has fluctuated over the 12 months preceding the date of this Prospectus and, although the Board does not consider that the market price of the Shares is strictly correlated to equity markets, as a listed company the Company's Shares are traded on a global capital market and, therefore, may fluctuate significantly in the future in the event of global volatility or decline in equity capital markets. Shareholders may not be able to resell their Shares at or above the price at which they purchased them. Securities markets in general have experienced isolated periods of volatility that has often been unrelated to the operating performance of particular companies. Any broad market fluctuations may materially adversely affect the trading price of the Shares. Furthermore, investors should be aware that a liquid secondary market in the Shares cannot be assured.

Borrowings and increases in operating and other expenses could limit the Company's ability to pay dividends to holders of Shares

The Company may borrow to fund the acquisition of additional investments and, where appropriate, may utilise this additional leverage in order to enhance returns to Shareholders, subject to the leverage restrictions set out in its investment policy from time to time. These borrowings may include repurchase agreements and may be secured against some or all of the Company's assets (please see the risk factor entitled "*The Company may borrow through repurchase agreements and is therefore exposed to risks which are additional to those associated with traditional borrowing*" for further information on the risks associated with repurchase agreements).

The application of leverage to an investment magnifies the adverse impact caused by defaults in the underlying Investment Portfolio. Also, since the Company's investments may be subordinated to more senior claims on the underlying assets, any borrowings by the Company would be incremental to the leverage already inherent in those investments. Therefore, in the event of a default in the assets underlying investments in the Investment Portfolio, the level of losses suffered by the Company would be proportionately higher as a function of the aggregate leverage implicit in each of the Company's investments and a relatively small increase in the rate of defaults could have a materially detrimental effect on returns to Shareholders.

The Company's ability to pay dividends to Shareholders will be adversely impacted by any increase in costs associated with its borrowings and operating expenses. There is no guarantee that Shareholders will receive dividends in the future. The payment of dividends in respect of the Shares in the past should not be taken as implying that dividends will be paid in the future.

The Company's operating and other expenses could increase without a corresponding increase in distributions from investments. Factors which could increase operating and other expenses may include the following:

- increases in the rate of inflation and currency fluctuation;
- increases in the costs of services provided by third party providers;
- increases in taxes and other statutory charges;
- changes in laws, regulations or government or local authority policies (including those relating to health and safety and environmental compliance) which increase the costs of compliance with such laws, regulations or policies; and
- unforeseen increases in the costs of maintaining the portfolio of investments.

Such increases could have a material adverse effect on the Company's financial position, capital resources and ability to make any distributions to holders of Shares.

Any borrowings undertaken by the Company could also give rise to increased costs. As a result, the Company's cash available for distribution to holders of the Shares may be reduced to the extent that changes in economic conditions, increases in interest rates and/or levels of amortisation imposed by its lenders cause the Company's cost of borrowing to increase relative to the income that can be derived from its portfolio of investments.

Existing Ordinary Shareholders who do not participate in the Placing Programme will have their percentage holding diluted following each issue of New Ordinary Shares

Assuming that the maximum number of New Ordinary Shares are issued under the Placing Programme (being 150 million), this would result in a dilution of approximately 39.5 per cent. in Existing Ordinary Shareholders' voting control of the Company.

The Company's future potential ability to pay dividends to holders of Shares depends on the availability of net cash held by the Company and the ability of the Company to receive net cash income

The Company currently does and may in the future hold assets through related SPVs or subsidiaries. It therefore does not directly receive net cash income generated from all the investments owned by the Group and is reliant on the payment of net cash income or intra-Group loan payments from the related SPVs and/or subsidiaries.

The ability of the Company to make distributions will be affected by the ability of the related SPV and/or subsidiary to make upstream cash payments or loans to other Group members is generally subject to applicable laws, the SPV's and/or subsidiary's organisational documents, the terms of financing arrangements, accounting treatment or other factors. Applicable laws require the related SPVs and/or subsidiaries to, among other things, comply with restrictions on the amounts distributed by way of dividend and capital and reserve maintenance principles, or require them to obtain shareholder approval. Applicable laws may also restrict the making of any distribution, loan or other payment or the timing thereof.

There is no assurance that the Group will be able to comply with any laws or requirements regulating upstream cash distributions, loans, or payments directly or indirectly to the Company. If the Group is unable to comply with these laws or requirements, net cash income may be reduced, which would materially adversely affect the Company's ability to pay dividends to holders of Shares, and which in turn could affect the trading price of the Shares.

The Company may require the sale or transfer, or procure the disposal of interests in, Shares held by certain Shareholders

The Articles contain provisions which in certain circumstances entitle or require the Directors to serve a transfer notice upon a Shareholder obliging that Shareholder to transfer his Shares to an eligible transferee. Such circumstances may arise if the Directors have reason to believe that the Shareholder is or could be a Non-Qualified Holder (as defined in the Definitions and Glossary to this Prospectus).

If the transfer notice is not complied with to the satisfaction of the Directors, the Company is entitled to sell or transfer (and/or procure the disposal of interests in) the Shares held by the relevant Shareholder on behalf of the holder. The net proceeds of sale will belong to the Company which will become indebted to the former Shareholder for an amount equal to the net proceeds. There is no assurance as to the price which may be achieved for the Shares in any such sale and the provisions of the Articles summarised in this paragraph may operate to the detriment of certain Shareholders. A fuller summary of the transfer provisions in the Articles is contained in the section entitled "*Memorandum and Articles of Incorporation*" in Part VIII of this Prospectus.

The Company has not, does not intend to become and may be unable to become, registered in the United States as an investment company under the US Investment Company Act and related rules

The Company has not, 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 so register and may be unable to so register, none of these protections or restrictions is or will be applicable to the Company. However, if the Company were to become subject to the US Investment Company Act because of a change of law or otherwise, the various restrictions imposed by the US Investment Company Act, and the substantial costs and burdens of compliance therewith, could adversely affect the operating results and financial

performance of the Company. Moreover, parties to a contract with an entity that has improperly failed to register as an investment company under the US Investment Company Act may be entitled to cancel or otherwise void their contracts with the unregistered entity and shareholders in that entity may be entitled to withdraw their investment. In order to ensure compliance with the exemptions that permit the Company to avoid being required to register as an investment company under the US Investment Company Act and to avoid violating the US Investment Company Act, the Company has implemented restrictions on an investor's ability to hold or transfer Ordinary Shares and may in certain circumstances require an investor to transfer or sell its Ordinary Shares. For more information, prospective investors should refer to "United States Purchase and Transfer Restrictions" in Part VII and "Memorandum and Articles of Incorporation" in Part VIII of this Prospectus.

The Company may be regarded as a "covered fund" under the Volcker Rule. Any prospective investor that is or may be considered a "banking entity" under the Volcker Rule should consult its legal advisers regarding the potential impact of the Volcker Rule on its investments and other activities prior to making any investment decision with respect to the Ordinary Shares or entering into other relationships or transactions with the Company

Section 13 of the US Bank Holding Company Act of 1956, as amended, and Regulation W (12 C.F.R. Section 248) promulgated thereunder by the Board of Governors of the Federal Reserve System (such statutory provision together with such implementing regulations, the "Volcker Rule"), generally prohibits "banking entities" (which term is broadly defined to include any US bank or savings association whose deposits are insured by the Federal Deposit Insurance Corporation, any company that controls any such bank or savings association, any non-US bank treated as a bank holding company for purposes of Section 8 of the US International Banking Act of 1978, as amended, and any affiliate or subsidiary of any of the foregoing entities) from: (i) engaging in proprietary trading as defined in the Volcker Rule; (ii) acquiring or retaining an "ownership interest" in, or "sponsoring", a "covered fund"; and (iii) entering into certain other relationships or transactions with a "covered fund".

As the Company may be regarded as a "covered fund" under the Volcker Rule, any prospective investor that is or may be considered a "banking entity" under the Volcker Rule should consult its legal advisers regarding the potential impact of the Volcker Rule on its investments and other activities, prior to making any investment decision with respect to the Ordinary Shares or entering into other relationships or transactions with the Company. If the Volcker Rule applies to an investor's ownership of Ordinary Shares, the investor may be forced to sell its Ordinary Shares or the continued ownership of Ordinary Shares may be subject to certain restrictions.

RISKS RELATING TO TAXATION

An adverse change in the Company's tax status or applicable tax legislation could harm the Company's financial condition or prospects

Any change in the Company's tax status or in taxation legislation or practice in Guernsey or any other tax jurisdiction affecting the Company could, depending on the nature of such change, materially affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to shareholders. Any such change could also adversely affect the net amount of any dividends payable to shareholders.

In addition, if the Company were treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it invests, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax.

Statements in this Prospectus concerning the taxation of Shareholders are based upon current tax law and published practice in the jurisdictions covered, which law and practice is, in principle, subject to change that could be adverse to Shareholders.

Changes in the tax treatment of investments and special purpose vehicles through which the Company holds investments may affect anticipated returns to the Company

The Company uses SPVs to acquire some investments. The Company's income will be derived from payments of interest and principal repayment on these securities. The Company intends that each such SPV will be structured so that it is substantially exempt from or neutral to income taxes in its jurisdiction of

incorporation and that each SPV should conduct its affairs so as not to be subject to, or to be subject to minimal, income tax in the jurisdictions in which it operates. Further, the Company intends that the securities held by such SPVs generally will not be subject to withholding taxes on distributions made by, or on realisations of, the assets. In some cases, certain procedural formalities may need to be completed before payments in respect of such assets can be made free of withholding tax. The completion of such formalities may depend on the agreement of taxation authorities, the timing of which cannot be guaranteed.

Tax laws, however, may change or be subject to differing interpretations, possibly with retroactive effect, so that the tax consequences of a particular investment or structure may change after the investment has been made or the structure has been established with the result that investments held by SPVs may be subject to withholding tax or SPVs may need to be unwound or restructured, in each case resulting in the Company's returns being reduced and have a consequential impact on the price of the Shares and the Net Asset Value. The Company and the SPVs will be subject to such risk both in the jurisdiction of their respective incorporation and in each jurisdiction of their respective operations.

Moreover, the underlying issuers of MBS could become subject to net income tax in jurisdictions in which they operate. The imposition of any such net income tax would reduce the cash received by the Company, and could therefore materially impair the Company's ability to pay dividends on the Shares and negatively affect the price of the Shares and the Net Asset Value.

Different regulatory, tax or other treatment of the Company or the Shares in different jurisdictions, or changes to such treatment in different jurisdictions, may adversely impact Shareholders in certain jurisdictions

For regulatory, tax and other purposes, the Company and the Shares may be treated in different ways in different jurisdictions. For instance, in certain jurisdictions and for certain purposes, the Shares may be treated as more akin to holding units in a collective investment scheme. Furthermore, in certain jurisdictions, the treatment of the Company and/or the Shares may be uncertain or subject to change, or it may differ depending on the availability of certain information or disclosure by the Company of that information. The Company may be subject, therefore, to financially and logistically onerous requirements to disclose any or all of such information or to prepare or disclose such information in a form or manner which satisfies the regulatory, tax or other authorities in certain jurisdictions. The Company may elect not to disclose such information or prepare such information in a form which satisfies such authorities. Therefore Shareholders in such jurisdictions may be unable to satisfy the regulatory requirements to which they are subject.

The implementation of the Solvency II Directive

On 25 November 2009, Directive 2009/138/EC (the "**Solvency II Directive**") was published in the Official Journal. It has since been extensively amended by the Omnibus II Directive, 2014/51/EU. The Solvency II regime came into force on 1 January 2016. Solvency II revises the regulation and authorisation of insurance and reinsurance companies. The Solvency II Directive sets out new requirements on, among other things, capital adequacy and risk management for insurers or reinsurers. The Solvency II Directive does not restrict the ability of insurers or reinsurers authorised in the European Union to invest in investment companies such as the Company. It does, however, provide for a capital charge to be applied to assets held by an insurer or reinsurer. The capital charge to be applied to an asset will depend on the risks presented by that asset. To the extent that, as a result of the implementation of the Solvency II Directive, insurers or reinsurers are discouraged from acquiring the Shares, this could have an adverse effect on the trading price and/or liquidity of the Shares.

The Foreign Account Tax Compliance Act

Under Sections 1471 through 1474 of the US Tax Code (commonly referred to as "**FATCA**"), financial institutions are required to use enhanced due diligence procedures to identify US persons who have invested in either non-US financial accounts or non-US entities. Pursuant to FATCA, certain payments of (or attributable to) US-source income, and (from 1 January 2019) the proceeds of sales of property that give rise to such US-source payments, and (from the later of 1 January 2019 or the date of publication of certain final regulations defining "foreign passthru payments") a portion of non-US source payments from certain non-US financial institutions to the extent attributable to US source payments, will be subject to 30 per cent. withholding tax ("**FATCA Withholding**") unless the Company complies with certain reporting requirements.

The United States and Guernsey have entered into an intergovernmental agreement (the “**US-Guernsey IGA**”) to implement FATCA. Under the terms of the US-Guernsey IGA, Guernsey resident financial institutions that comply with the requirements of Guernsey legislation implementing the US-Guernsey IGA (“**Guernsey IGA Legislation**”) to report certain information to the Guernsey tax authorities will be treated as compliant with FATCA and, as a result, should not be subject to FATCA Withholding on payments they receive and should not be required to withhold under FATCA on payments they make.

Further, the Organisation for Economic Co-operation and Development’s “Common Reporting Standard” (“**CRS**”) has now been implemented by over 90 jurisdictions (including the UK and Guernsey), with further jurisdictions due to implement the CRS in the future. The Company is considered to be a Guernsey resident financial institution and therefore will be required to comply with the requirements of the Guernsey IGA Legislation and also Guernsey legislation implementing the CRS (“**Guernsey CRS Legislation**”).

Under the Guernsey IGA Legislation and the Guernsey CRS Legislation, the Company may therefore be required to report certain information to the Guernsey tax authorities (for onward transmission to the US or other tax authorities, as the case may be) relating to certain investors who are, or are entities that are controlled by one or more natural persons who are, residents or citizens of the United States or residents of a jurisdiction that has implemented the CRS. Where applicable, such information will include information about the investor, their ultimate beneficial owners or controllers, and their investment in and returns from the Company.

As a result, Shareholders may be required to provide any information that the Company determines necessary in order to allow the Company to satisfy its obligations under FATCA, the CRS and other versions of FATCA. **Failure by a Shareholder to provide any such information that is requested in this regard could result in adverse consequences applying to such Shareholder, and the Shareholder may be required to sell their Shares.**

Risks relating to accounting and taxation of the Company's group companies

There is a risk that amounts paid or received under intra-group arrangements in the past and/or the future could be deemed for tax purposes to be lower or higher, as the case may be, or fail to be disregarded for the purposes of calculating tax which may increase the Group’s taxable income or decrease the amount of relief available to the Group with a consequential negative effect on its financial and operating results.

EU list of non-cooperative tax jurisdictions

On 5 December 2017 the EU Member States released their first agreed common list of non-cooperative tax jurisdictions as part of the EU’s work to fight tax evasion and avoidance (the “**common list**”). The common list aims to assess jurisdictions against agreed criteria for good governance, including in relation to tax transparency, fair taxation, the implementation of BEPS and substance requirements for zero-tax jurisdictions. The list has been updated on a number of occasions since its inception. There are also lists of jurisdictions who have agreed to commit to address various concerns by certain deadlines (the “**commitments list**”). Guernsey was included on the commitments list in relation to economic substance. In December 2018, Guernsey passed legislation regarding substance requirements and this legislation came into force on 1 January 2019. On 12 March 2019 the EU Council confirmed that Guernsey had met its commitments to introduce economic substance legislation. Guernsey has now been removed from the commitments list and remains off the common list.

At this stage it is unclear what the full implications of being on the common list would be, however, as a starting point it is likely that (i) funds from the European Fund for Sustainable Development (EFSD), the European Fund for Strategic Investment (EFSI) and the External Lending Mandate (ELM) cannot be channelled through entities in countries on the common list (only direct investment in these countries (i.e. funding for projects on the ground) will be allowed, to preserve development and sustainability objectives); (ii) the list is referenced in other relevant legislative proposals (e.g. the public country-by-country reporting proposal includes stricter reporting requirements for multinationals with activities in listed jurisdictions, and in the proposed transparency requirements for intermediaries a tax scheme routed through a listed country will be automatically reportable to tax authorities); and (iii) Member States may agree on coordinated sanctions to apply at a national level against the listed jurisdictions. Should Guernsey ever be placed on the common list, there is a risk that countermeasures could be applied against the listed countries. These could include measures such as increased monitoring and audits, withholding taxes, special documentation

requirements and anti-abuse provisions. If countermeasures such as these were to be applied to any jurisdiction in which the Company is resident or operates there could be tax implications and/or additional compliance requirements for the structure which could reduce returns to investors in the Company or result in other adverse tax consequences.

Based upon the activities of the Company, it is not expected that economic substance requirements in Guernsey will apply to the Company.

IMPORTANT INFORMATION

Attention is drawn to the “Risk Factors” set out on pages 11 to 34 of this Prospectus.

Investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the Placing Programme and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company or the Investment Manager or Liberum. Without prejudice to any obligation of the Company to publish a Supplementary Prospectus pursuant to section 87G(1) of FSMA, 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 since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Solely for the purposes of the MiFID II Product Governance Requirements, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any manufacturer (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”).

Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing Programme. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Placing Agent will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

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 New Ordinary Shares.

An investment in the Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in the New Ordinary Shares should constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager or broker regarding investment in the Company.

As a company listed on the FCA's Official List, the Company is required to treat all Shareholders of a given class equally.

General

Investors may be required to bear the financial risks of their investment in the Shares for an indefinite period of time. For a description of additional restrictions on offers, sales and transfers of the New Ordinary Shares, please refer to the section entitled “*Selling Restrictions*” on page 38 of this Prospectus and “*Representations and Warranties*” in Part VII and “*United States Purchase and Transfer Restrictions*” in Part VII of this Prospectus.

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.

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.

Except where the context requires otherwise, until the expiry of the transition period agreed between the United Kingdom and the European Union as part of the terms of the United Kingdom’s exit from the European Union, a reference to the European Union or the EEA is a reference to the members of the European Union or EEA from time to time, as applicable and which shall for such time also include the United Kingdom.

If and when a European Union instrument is incorporated into the law of the United Kingdom, a reference to that European Union instrument in this Prospectus shall, except where the context requires otherwise, mean the European Union instrument as so incorporated and any enactment, statutory provision or subordinate legislation that from time to time (with or without modifications) re-enacts, replaces or consolidates it for the purposes of the law of the United Kingdom.

Applications will be made to the FCA for all the New Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for all the New Ordinary Shares to be admitted to trading on the premium segment of the Main Market. It is expected that each Admission will become effective and that dealings in such New Ordinary Shares will commence on dates between 10 March 2020 and 20 February 2021.

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

Restrictions on Distribution and Sale

The distribution of this Prospectus and the offering and sale of securities offered hereby 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 solicitation would be unlawful.

For a description of restrictions on offers, sales and transfers of Shares, please refer to the section entitled “*Selling Restrictions*” beginning on page 38 below and “*Representations and Warranties*” in Part VII “*United States Purchase and Transfer Restrictions*” in Part VII and “*Memorandum and Articles of Incorporation*” in Part VIII of this Prospectus.

The Company has not been and will not be registered under the US Investment Company Act and as such investors are not and will not be entitled to the benefits of the US Investment Company Act. The 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 may not be offered, sold, resold, pledged, delivered, distributed or otherwise transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, US Persons, except pursuant to an exemption from, or in a transaction not

subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and in a manner which would not result in the Company being required to register under the US Investment Company Act. In connection with the Placing Programme, subject to certain exceptions, offers and sales of Ordinary Shares will be made only outside the United States in “offshore transactions” to non-US Persons pursuant to Regulation S under the Securities Act. There has been and will be no public offering of the Ordinary Shares in the United States.

In addition, prospective investors should note that, except with the express written consent of the Company given in respect of an investment in the Company, the Shares may not be acquired by: (i) investors using assets of: (A) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (B) a “plan” as defined in Section 4975 of the US Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Tax Code; or (C) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in preceding clause (A) or (B) in such entity pursuant to the US Plan Assets Regulations; 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 US Tax Code, unless its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

If 25 per cent. or more of any class of equity in the Company is owned, directly or indirectly, by US Plan Investors that are subject to Title I of ERISA or Section 4975 of the US Tax Code, the assets of the Company will be deemed to be “plan assets”, subject to the constraints of ERISA and Section 4975 of the US Tax Code. This would result, among other things, in: (i) the application of the prudence and fiduciary responsibilities standards of ERISA to investments made by the Company, and (ii) the possibility that certain transactions that the Company and its subsidiaries might enter into, or may have entered into in the ordinary course of business, might constitute or result in non-exempt prohibited transactions under Section 406 of ERISA and/or Section 4975 of the US Tax Code and might have to be rescinded. A non-exempt prohibited transaction may also result in the imposition of an excise tax under the US Tax Code upon a “party in interest” (as defined in ERISA) or “disqualified person” (as defined in the US Tax Code), with whom a plan engages in the transaction. The Company will use commercially reasonable efforts to limit ownership by US Plan Investors of equity in the Company. However, no assurance can be given that investment by US Plan Investors will not exceed 25 per cent. or more of any class of equity in the Company.

No Incorporation of Website

The contents of the Company’s website 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 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 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:

- changes in economic conditions generally and the Company's ability to achieve its investment objective and returns on equity for investors;
- the Company's ability to invest the cash on its balance sheet and the proceeds of the Placing Programme in suitable investments on a timely basis;
- foreign exchange mismatches with respect to exposed assets;
- 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 Placing Programme;
- impairments in the value of the Company's investments;
- the availability and cost of capital for future investments;
- the departure of key personnel employed by the Investment Manager;
- the failure of the Investment Manager to perform its obligations under the Investment Management Agreement with the Company or the termination of the Investment Manager;
- 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
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events, and all other risks referred to in the section entitled "*Risk Factors*" on pages 11 to 34 of this Prospectus.

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 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 Regulation Rules, Disclosure Guidance and Transparency Rules or the Authorised Closed-Ended Investment Schemes Rules 2008), 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, Shareholders 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.

Selling Restrictions

This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation.

The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Accordingly, persons into whose possession this Prospectus comes are required to inform themselves about and observe any restrictions as to the offer or sale of Shares and the distribution of this Prospectus under the laws and regulations of any jurisdiction in connection with any applications for Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction. Save for the United Kingdom, no action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this Prospectus other than in any jurisdiction where action for that purpose is required.

European Economic Area

In relation to each member state of the European Economic Area which is bound by the Prospectus Regulation (each, a "**Relevant Member State**"), no Shares have been offered or will be offered pursuant to the Placing Programme to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Regulation,

except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation; or
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such Relevant Member State; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall result in a requirement for the publication of a Prospectus pursuant to Article 3(l) of the Prospectus Regulation (other than the UK) and each person who initially acquires any Shares or to whom any offer is made under the Placing Programme will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2 of the Prospectus Regulation / Section 86(7) of the Financial Services and Markets Act 2000.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares.

The distribution of this Prospectus in other jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions.

AIFM Directive

The AIFM Directive imposes conditions on the marketing of entities such as the Company to investors in the EEA. The AIFM Directive requires that an ‘alternative investment fund manager’ (“**AIFM**”) be identified to meet such conditions where such marketing is sought. For these purposes, the Investment Manager, as the legal person responsible for performing portfolio and risk management, is the AIFM.

The AIFM Directive currently allows the continued marketing of non-EEA AIFs, such as the Company, under the national private placement regimes of individual EEA Member States. However, there is no requirement for EEA Member States to retain private placement regimes and some Member States have either decided not to retain such regimes or adopted systems that impose onerous requirements before marketing can take place.

Marketing under the private placement regime in the United Kingdom requires registration with the FCA and will be subject to, *inter alia*: (a) the requirement that an appropriate co-operation agreement is in place between the FCA and the GFSC (one was signed by the GFSC on 12 July 2013 and has been counter-signed by the FCA); (b) Guernsey not being on the Financial Action Task Force (“**FATF**”) money-laundering blacklist (as at the Latest Practicable Date, Guernsey was not on the FATF money-laundering blacklist); and (c) compliance by the AIFM with certain aspects of the AIFM Directive. Given that the Company is a self-managed non-EEA fund, these obligations primarily relate to disclosure and reporting.

At any point in the future it may be the case that a passporting regime will be phased in to allow the marketing of non-EEA AIFs such as the Company and that the private placement regimes will be phased out, although the likelihood of this cannot be accurately assessed at present. Both the phasing in of the passport and the phasing out of national private placement regimes may increase the regulatory burden on the Company should it wish to raise capital in the EEA following such point.

Consequently, there may in the future be restrictions on, or conditions attaching to, the marketing of the Shares in the EEA, which may have a negative effect on marketing and liquidity generally in the Shares. Compliance with such conditions is likely to lead to an increase in the costs borne by the Company.

United States

The Company has not been and will not be registered under the US Investment Company Act and as such investors are not and will not be entitled to the benefits of the US Investment Company Act. The 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 may not be offered, sold, resold, pledged,

delivered, distributed or otherwise transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, US Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and in a manner which would not result in the Company being required to register under the US Investment Company Act. In connection with the Placing Programme, subject to certain exceptions, offers and sales of Ordinary Shares will be made only outside the United States in “offshore transactions” to non-US Persons pursuant to Regulation S under the Securities Act. There has been and will be no public offering of the Ordinary Shares in the United States.

The Shares are also subject to significant purchase and transfer restrictions. See “*United States Purchase and Transfer Restrictions*” in Part VII and “*Memorandum and Articles of Incorporation*” in Part VIII of this Prospectus.

Guernsey

The Company has been declared by the GFSC to be an authorised closed-ended investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-Ended Investment Schemes Rules 2008 issued by the GFSC. The Company is regulated by the GFSC. The Company is not regulated by the Financial Conduct Authority or any regulator other than the GFSC.

Neither the GFSC nor the States of Guernsey Policy and Resources Committee take 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 Prospectus you should consult your accountant, legal adviser, professional adviser or financial adviser.

The Directors have taken all reasonable care to ensure that the facts stated in this Prospectus are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the Directors accept responsibility accordingly (as appropriate).

It should be remembered that the price of securities and the income from them can go down as well as up.

Switzerland

This Prospectus may only be freely circulated and Ordinary Shares in the Company may only be freely offered, distributed or sold to regulated financial intermediaries such as banks, securities dealers, fund management companies, asset managers of collective investment schemes and central banks as well as to regulated insurance companies. Circulating this Prospectus and offering, distributing or selling Ordinary Shares in the Company to other persons or entities including qualified investors as defined in the Federal Act on Collective Investment Schemes (“**CISA**”) and its implementing Ordinance (“**CISO**”) may trigger, in particular, (i) licensing/prudential supervision requirements for the distributor; (ii) a requirement to appoint a representative and paying agent in Switzerland; and (iii) the necessity of a written distribution agreement between the representative in Switzerland and the distributor. Accordingly, legal advice should be sought before providing this Prospectus to and offering, distributing, selling or on-selling Ordinary Shares of the Company to any other persons or entities. This Prospectus does not constitute an issuance prospectus pursuant to Articles 652a or 1156 of the Swiss Code of Obligations and may not comply with the information standards required thereunder. The Ordinary Shares will not be listed on the SIX Swiss Exchange, and consequently, the information presented in this Prospectus does not necessarily comply with the information standards set out in the relevant listing rules. The documentation of the Company has not been and will not be approved, and may not be able to be approved, by the Swiss Financial Market Supervisory Authority (“**FINMA**”) under the CISA. Therefore, investors do not benefit from protection under the CISA or supervision by the FINMA. This Prospectus does not constitute investment advice. It may only be used by those persons to whom it has been handed out in connection with the Ordinary Shares and may neither be copied or directly/indirectly distributed or made available to other persons.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Placing Programme opens	21 February 2020
Extraordinary General Meeting ²	2.00 p.m. on 10 March 2020
Earliest date for New Ordinary Shares to be issued pursuant to the Placing Programme	10 March 2020
Publication of Placing Price in respect of each Placing	As soon as possible following the close of each Placing
Admission and crediting of CREST accounts in respect of each Placing	8.00 a.m. on the Business Day on which New Ordinary Shares are issued
Despatch of definitive share certificates for the New Ordinary Shares in certificated form	Approximately two weeks following the Admission of any New Ordinary Shares
Placing Programme closes	20 February 2021

PLACING PROGRAMME STATISTICS

Maximum size of Placing Programme	150 million New Ordinary Shares
Net Asset Value per Existing Ordinary Share (unaudited) as at 31 January 2020	166.0 pence
Estimated Gross Placing Proceeds of Placing Programme ³	£249.0 million
ISIN for Ordinary Shares	GB00B0HW5366
SEDOL for Ordinary Shares	B0HW536
Ordinary Shares ticker	RECI

General Notes:

- (a) The actions specified in the expected timetable of principal events above are subject to certain restrictions relating to certain Shareholders and the Excluded Territories, details of which are set out in Parts VIII and the Definitions and Glossary section (as applicable) of this Prospectus.
- (b) The times and dates set out in the expected timetable of principal events above and mentioned throughout this Prospectus may be adjusted by the Company, in which event details of the new times and dates will be notified to the FCA, and an announcement will be made on an RIS.
- (c) References to times in this Prospectus are to London times unless otherwise stated.
- (d) Subject to the requirements of the Listing Rules, the Placing Price applicable to each Placing will be no less than the aggregate of the published Net Asset Value per Ordinary Share at the time of issue (after deducting any dividend per Ordinary Share in relation to which the New Ordinary Shares to be issued pursuant to the relevant Placing will not participate and that was declared subsequent to the date at which the relevant Net Asset Value per Ordinary Share was calculated) and such sum as equates to the costs, expenses and commissions attributable to such Placing and may, in the Directors' sole discretion, include a premium.
- (e) Minimum subscription per investor pursuant to each Placing within the Placing Programme is £10,000.

² Quorum for the EGM is two Existing Ordinary Shareholders present in person or by proxy.

³ Estimated by multiplying the Net Asset Value per Existing Ordinary Share as at 31 January 2020 (unaudited) by the maximum number of New Ordinary Shares to be issued under the Placing Programme.

CORPORATE INFORMATION

Directors	Bob Cowdell (<i>Chairman</i>) Susie Farnon John Hallam Graham Harrison
Registered Office of the Company	East Wing Trafalgar Court Les Banques St Peter Port Guernsey GY1 3PP
Company Secretary of the Company	Aztec Financial Services (Guernsey) Limited PO Box 656, East Wing Trafalgar Court Les Banques St Peter Port Guernsey GY1 3PP
Designated Manager and Administrator of the Company	Citco Fund Services (Guernsey) Limited Arnold House, 3rd Floor PO Box 273 St Julian's Avenue St Peter Port Guernsey GY1 3RD
Investment Manager	Cheyne Capital Management (UK) LLP Stornoway House 12 – 13 Cleveland Row London SW1A 1DH
Sponsor and Bookrunner	Liberum Capital Limited Ropemaker Place, Level 12 25 Ropemaker Street London EC2Y 9LY
Legal Adviser to the Company as to English and US Law	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG
Legal Adviser to the Company as to Guernsey Law	Carey Olsen (Guernsey) LLP Carey House Les Banques St. Peter Port Guernsey GY1 4BZ
Legal Adviser to the Sponsor and Bookrunner as to English Law	Bryan Cave Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Auditor and Reporting Accountant	Deloitte LLP PO. Box 137 Regency Court Glategny Esplanade St Peter Port Guernsey GY1 3HW

Registrar	Link Market Services (Guernsey) Limited Mont Crevelt House Bulwer Avenue, St. Sampson Guernsey GY2 4LH
UK Transfer Agent	Link Market Services Limited Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Depositary	The Bank of New York Mellon (International) Limited BNY Mellon Centre 160 Queen Victoria Street London EC4V 4LA United Kingdom

PART I

THE COMPANY'S BUSINESS AND THE PROPOSAL

INTRODUCTION

The Company is a non-cellular company limited by shares which was incorporated in Guernsey on 6 September 2005 with registered number 43634. It has been declared to be an authorised closed-ended investment scheme by the Guernsey Financial Services Commission. For further information in relation to the history of the Company please refer to Part VIII of this Prospectus. The Company's investments are managed by Cheyne Capital Management (UK) LLP ("**Cheyne Capital**" or the "**Investment Manager**"), a London-based investment management company authorised and regulated by the Financial Conduct Authority. Cheyne Capital is also authorised under the AIFM Directive and is the Company's AIFM for the purposes of the requirements applicable to the Company thereunder. Further information relating to the management of the Company and Cheyne Capital is set out in Part III of this Prospectus.

As at the date of this Prospectus the Existing Ordinary Shares are admitted to listing on the premium segment of the Official List and to trading on the premium segment of the Main Market.

COMPANY OVERVIEW

The Company's strategy offers investors exposure to a diversified portfolio of Real Estate Credit Investments. The real estate debt strategy focuses on secured residential and commercial debt in the UK and Western Europe, seeking to exploit opportunities in publicly traded securities and real estate loans. The Company has adopted a long term strategic approach to investing and focuses on identifying value in real estate debt.

As at 31 January 2020, the Company had cash balances of £35.8 million and current liabilities of £97.5 million.

The Company was established with an unlimited life but the Articles provide for a continuation resolution to be put to Shareholders at the annual general meeting of the Company to be held in 2021 and at every fourth annual general meeting thereafter (discussed below in the section entitled "*Continuation Resolution*" in this Part I).

THE PROPOSAL

Placing Programme

The Company intends to issue up to 150 million New Ordinary Shares pursuant to the Placing Programme, which is expected to consist of one or more Placings. The New Ordinary Shares to be issued pursuant to the Placing Programme will rank *pari passu* with the Existing Ordinary Shares.

Subject to the requirements of the Listing Rules, the price at which each New Ordinary Share will be issued pursuant to each Placing will be no less than the aggregate of the published Net Asset Value per Existing Ordinary Share at the time of issue (after deducting any dividend per Ordinary Share in relation to which the New Ordinary Shares to be issued pursuant to the relevant Placing will not participate and that was declared subsequent to the date on which the relevant Net Asset Value per Ordinary Share was calculated) and such sum as equates to the costs, expenses and commissions attributable to such Placing and may, in the Directors' sole discretion, include a premium. The Placing Price in relation to each Placing will be announced by the Company via an RIS announcement in advance of that Placing.

The number of New Ordinary Shares issued in conjunction with each Placing will be determined based on the Placing Price, but will not exceed, in aggregate, 150 million New Ordinary Shares.

Background and benefits of the Placing Programme

Throughout the last placing programme, markets were overshadowed by economic, political and Brexit uncertainties. Subsequently, the UK general election result in December 2019 and the departure of the UK from the European Union on 31 January 2020 have provided some clarity for markets and investors, notwithstanding the ongoing challenges and uncertainty of outcome of the negotiation of transition arrangements with the European Union and other international trade agreements.

The Board, as advised by the Investment Manager, continues to be positive about the investment opportunities available within real estate credit markets. It is the Investment Manager's view that, whilst economic and Brexit related uncertainty exists, the UK and Western European real estate markets (and, in particular, those in France and Germany) continue to offer an attractive combination of underlying tenant demand, relatively liquid investment markets and a shortage of debt capital.

Given this backdrop, and in light of the positive prospects for further investments by the Company in the short to medium term, the Directors believe that implementing the Placing Programme is in the best interests of the Company and the Shareholders as a whole and should lead to:

- an attractive level of returns from new investments;
- a reduction in the total expense ratio, by spreading the Company's fixed running costs over a larger Ordinary Shareholder base; and
- an improved free float and introduction of new investors, which may enhance liquidity in the Ordinary Shares.

If the Placing Programme is implemented and New Ordinary Shares are placed successfully, the Net Placing Proceeds will be deployed in new real estate credit investment opportunities, and to fund the existing undrawn loan commitments which the Company has already closed, in accordance with the Investment Objective and Policy, which the Directors believe should provide:

- greater scope to expand and diversify the Investment Portfolio; and
- a better position for the Company to take advantage of the attractive investment opportunities which both the Directors and the Investment Manager anticipate will continue to arise for the foreseeable future. The Investment Manager believes that the best risk-adjusted opportunity set currently lies in senior loans and core income bonds.

(For the above purposes, "core" means that the asset benefits from having long term income.)

The Investment Manager continuously assesses market conditions and investment opportunities and the implementation of the Placing Programme will allow the Company to undertake fundraisings in an expeditious and straightforward manner to take advantage of investment opportunities as they arise. To the extent that the Company is not able to participate in any planned investments after a Placing (which the Directors do not expect to be the case), the Net Placing Proceeds from such Placing may be invested in other assets that the Investment Manager believes offer attractive returns to the Company and that fall within the Investment Objective and Policy.

INVESTMENT OBJECTIVE AND POLICY

Investment objective

The investment objective of the Company is to provide Ordinary Shareholders with attractive and stable returns, primarily in the form of quarterly dividends, by exposure to a diversified portfolio of real estate credit investments, predominantly comprising real estate loans and bonds.

Asset allocation

To achieve the investment objective, the Company invests and will continue to invest in real estate credit secured by commercial or residential properties in the United Kingdom and Western Europe ("**Real Estate Credit Investments**"). The Real Estate Credit Investments may take different forms but are likely to be:

- (i) secured real estate loans, debentures or any other forms of debt instruments (together "**Secured Debt**"). Secured real estate loans are typically secured by mortgages over the property or charges over the shares of the property-owning vehicle. Individual Secured Debt investments will have a weighted average life profile ranging from six months to 15 years. Investments in Secured Debt will also be directly or indirectly secured by one or more commercial or residential properties, and shall not exceed a loan to value ("**LTV**") of 85 per cent. at the time of investment;
- (ii) listed debt securities and securitised tranches of real estate related debt securities, for example, residential mortgage-backed securities and commercial mortgage-backed securities (together "**MBS**"); for the avoidance of doubt, this does not include equity residual positions in MBS;

- (iii) other direct or indirect opportunities, including equity participations in real estate, save that no more than 20 per cent. of the Total Assets will be invested in positions with an LTV in excess of 85 per cent. or in equity positions that are uncollateralised. On certain transactions the Company may be granted equity positions as part of its loan terms. These positions will come as part of the Company's overall return on its investments and may or may not provide extra profit to the Company depending on market conditions and the performance of the loan. These positions are deemed collateralised equity positions. All other equity positions that the Company may invest in are deemed uncollateralised equity positions.

Risk diversification

At any given time, certain geographic areas, asset types or industry sectors may provide more attractive investment opportunities than others and, as a result, the Investment Portfolio may be concentrated in those geographic areas, asset types or industry sectors. However, the Company will seek to create a diversified portfolio of investments. It will regularly monitor the extent to which the Investment Portfolio is concentrated in any particular country or region and the Investment Manager may re-balance the Investment Portfolio as and when it deems it necessary. The Company has adopted guidelines for investments and borrowings to the effect that, except in the case of cash deposits awaiting investment:

- (i) no more than 20 per cent. of Total Assets will be lent to or invested in any one group of companies at the time the investment or loan is made;
- (ii) no more than 10 per cent. of Total Assets will be invested in other listed investment companies (including listed investment trusts), except where the investment companies themselves have stated investment policies to invest no more than 15 per cent. of their total assets in other listed investment companies (including listed investment trusts);
- (iii) no more than 15 per cent. of Total Assets will be invested in other listed investment companies (including listed investment trusts), regardless of their investment policies, and the Company will not take legal control, or seek to take legal control, or be actively involved in the management of, any companies or businesses in which it invests, except for:
 - (a) any SPVs it may establish, should the Board conclude that exercising control or management over such entity is in the best interests of the Company; and
 - (b) pursuant to the exercise of rights as a consequence of the Group taking steps to preserve or enforce its security in relation to a particular investment.

The Company will not, to a significant extent, be a dealer in investments and neither the Company nor any member of its Group will conduct trading activity which is significant in the context of the Group as a whole.

Company leverage

The Company will limit Company-level recourse leverage for investment purposes to 40 per cent. of Net Asset Value. In calculating the Company's leverage for the above, any liabilities incurred under the Company's foreign exchange hedging arrangements shall be disregarded.

In addition to the Company-level recourse leverage, the Company has the ability to utilise a working capital facility (which would include any liabilities incurred under the Company's foreign exchange hedging arrangements), subject to a maximum limit of 10 per cent. of Net Asset Value.

Hedging and use of derivatives

A substantial portion of the Investment Portfolio will be denominated in Sterling and Euro. The Company may, and currently does, hedge this exposure, although it is not obliged to do so.

The Company's policy is to hedge currency risk on a case by case basis and also, where the Investment Manager considers it appropriate, on a portfolio basis. The Company may bear a level of currency risk that could otherwise be hedged where it considers that bearing such risk is appropriate. Ordinary Shareholders should not expect that all currency risks that arise from time to time in the Investment Portfolio will be hedged. As at the date of this Prospectus, the Company uses a combination of Sterling;Euro options and forwards to hedge its currency exposure.

The Company may, but shall not be obliged to, enter into hedging arrangements in respect of interest rate fluctuations and certain macro risks that may affect the value of the Investment Portfolio.

Save where the Company enters into swap arrangements to gain exposure to an underlying cash asset or assets, or to comply with asset transfer restrictions or similar legal restrictions which prevent the Company from owning a target investment directly, derivative transactions will only be used for the purpose of efficient portfolio management. However, the Company will not make investments via derivatives unless the Company has fully collateralised the derivative position or cannot be exposed to margin calls.

The Company will not enter into derivative transactions for speculative purposes.

CHANGES TO THE COMPANY'S INVESTMENT POLICY

Any material change to the Company's investment policy will be made only with the prior approval of the FCA and the Shareholders by way of ordinary resolution, in accordance with, and to the extent required by, the Listing Rules.

FINANCING STRATEGY

As at 31 January 2020, the Company has incurred indebtedness through the use of repurchase agreements accounting for 27.4 per cent. of Net Asset Value.

The Board and the Investment Manager continue to consider the pricing and structure of a range of potential leverage options, in addition to those already deployed by the Investment Manager on behalf of the Company. As part of this exercise, SPVs through which the Company holds Real Estate Credit Investments may enter into financing arrangements with one or more third party lenders in order to enhance returns on such individual investments and also diversify the types of leverage utilised by the Company (each such financing arrangement a separate "**Off Balance Sheet Financing**"). The Investment Manager believes that the term of Off Balance Sheet Financing has greater flexibility to be matched to the term of loans entered into.

The Off Balance Sheet Financing from the lender would be combined with a funding commitment from the Company to the relevant SPV which would then make Real Estate Credit Investments. The Off Balance Sheet Financing would be non-recourse to the Company and the Company's obligations in respect of each SPV would not exceed the funding obligations of the Company in respect of each SPV, but it is likely to increase the overall level of leverage of the portfolio on a look through basis. The Company intends to disclose in its monthly fact sheets the level of leverage employed at both the Company level and on a look through basis. The Company and the Investment Manager may agree, from time to time, certain risk parameters that govern the level of any such financing arrangements deployed by the Company.

In the event of default of any investment held by the SPV, the lender may require the Company to contribute any unfunded portion of its funding commitment to that SPV in respect of Off Balance Sheet Financing, or it may require that the SPV sells other investments it holds in order to repay any amounts due to the lender. In order to mitigate any cross-collateralisation risk in respect of any assets held within a single SPV, the Investment Manager will seek to restrict the number of investments held by an SPV at any given time.

The Company will not use unfunded derivatives to obtain leverage on investments.

DIVIDENDS AND DIVIDEND POLICY

Subject to the applicable requirements and restrictions contained in the Companies Law, the Company may consider making interim dividend payments to Ordinary Shareholders (which includes investors subscribing for New Ordinary Shares pursuant to the Placing Programme), having regard to the net income remaining after the potential reinvestment of cash or other uses of income, at a level the Directors deem appropriate, in their sole discretion, from time to time. There is no fixed date on which it is expected that dividends will be paid to Ordinary Shareholders. The Directors intend that the Company pays dividends to Ordinary Shareholders (which includes New Ordinary Shareholders) when it is able and appropriate to do so. It is the intention of the Company to continue to pay a stable quarterly dividend with the potential for additional payments if investment returns permit.

There is no assurance that the Company will declare or pay dividends on Ordinary Shares and, if dividends are paid, there is no assurance with respect to the amount and timing of any such dividend.

DISCOUNT CONTROL

Share buy backs

The Company has the authority, subject to applicable law, to make market purchases of fully paid Shares, for example, where the Directors believe such purchases will enhance Shareholder total returns by returning capital surpluses, or where the Investment Manager has been unable to source sufficient appropriate investments, either at all or in a timely manner.

The Company has authority to make market purchases of up to 14.99 per cent. of its Shares in issue, and renewal of this authority will be sought from Shareholders at the annual general meeting of the Company to be held in 2020 and at each subsequent annual general meeting, or earlier in a general meeting if the Directors so resolve.

Purchases of any Shares will be made within guidelines established from time to time by the Board. The timing of any purchases will be decided by the Board in light of prevailing market conditions.

Purchases of Shares will only be made through the market for cash at prices below the prevailing Net Asset Value per Share of the relevant class. Such purchases of Shares will only be made in accordance with the terms of the authority granted to the Company by Shareholders and the rules of the FCA in force from time to time or any successor laws, rules or regulations. The rules of the FCA currently provide that the maximum price to be paid shall be limited to an amount which must not exceed the higher of (a) 105 per cent. of the average of the market values of the ordinary shares of the Company for the 5 Business Days before the purchase is made, and (b) the higher of the price of the last independent trade and the highest current independent bid price.

Shares howsoever purchased by the Company can be held by it in treasury.

CONTINUATION RESOLUTION

The Directors are required to propose an Ordinary Resolution at the 2021 annual general meeting that the Company continue its business as a closed-ended investment company (the “**Continuation Resolution**”). If the Continuation Resolution is passed, the Directors are required to propose a further Continuation Resolution at every fourth annual general meeting of the Company thereafter.

If any Continuation Resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval within six months of the date of the Continuation Resolution. For more information please refer to the Risk Factor entitled “*Continuation vote*”.

FURTHER ISSUES OF SHARES AND THE PLACING PROGRAMME

Subject to the terms of the Companies Law, the Listing Rules and the Articles, the Company may seek to issue New Ordinary Shares: in order to manage any premium at which the Ordinary Shares trade to the Net Asset Value per Ordinary Share; if the Directors believe that there is investor demand that cannot be satisfied through the secondary market; or to raise additional capital for investment. Further issues of New Ordinary Shares will only be made if the Directors determine such issues to be in the best interests of Ordinary Shareholders and the Company as a whole. Relevant factors in making such determination and the price at which to issue New Ordinary Shares include the Net Asset Value performance, share price rating, the time of the month when New Ordinary Shares are issued and perceived investor demand.

Directors may also issue Shares for non-cash consideration.

For further information on the Placing Programme, please refer to Part VI of this Prospectus.

FINANCIAL INFORMATION ON THE COMPANY

Reports and accounts

The Company's audited accounts are made up for the period to 31 March in each year. An unaudited interim report in respect of the first six months of each subsequent accounting period, i.e. to 30 September, is also published. The Company prepares, and will continue to prepare, its annual report and accounts in accordance with International Financial Reporting Standards. The Investment Manager sends monthly factsheets to Shareholders which contain, *inter alia*, calculations of the Net Asset Value.

Net Asset Value

The Net Asset Value is calculated monthly by the Administrator, including as at the relevant dates of the announcement of the Company's interim and annual results, and is published in the Company's monthly fact sheets and its annual and interim reports and accounts sent to Shareholders.

In accordance with the Company's valuation procedures, the fair value of the Company's investments is calculated on the basis of observable market data, market discount rates and the Investment Manager's expectations regarding future trends as further set out below. Judgments over fair value could significantly affect the performance of the assets. Judgments on the liquidity profile and the fair value recognised are made using assumptions which may prove to be inaccurate. This is particularly so in periods of volatility or where there is limited data against which judgments can be benchmarked.

The loans in which the Company invests are not traded in an active market and there are no independent quotes available. The fair values of the loans are linked directly to the value of the real estate in which the underlying structures invest and the credit quality of the borrower, and are based on expected cash flows (drawdown principal and interest repayments, and maturity dates).

Where required, fair value of the real estate loans is adjusted monthly (or more frequently upon a material change) for changes in the credit quality of the borrower and underlying property collateral, and changes in the market rate on similar instruments. On origination of the loan, the Investment Manager performs due diligence on the borrower and related security or property. This includes obtaining a valuation of the underlying property (to assess loan to value of the investment). In most instances the terms of the loan require periodic re-valuation of the underlying property to check against loan to value covenants.

Where applicable, currency conversions used to calculate the Net Asset Value are based on the relevant exchange rate published by Bloomberg as at the close of business on the date of the relevant Net Asset Value calculation.

The calculation of the Net Asset Value will only be suspended in circumstances where the underlying data necessary to value the Investment Portfolio, as applicable, cannot be readily, or without undue expenditure, obtained. Details of any suspension in making such calculations will be announced through an RIS.

CAPITAL STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the issued share capital of the Company consisted of 229,332,478 Existing Ordinary Shares. As at the Latest Practicable Date, no Existing Ordinary Shares were held in treasury.

On the assumption that a maximum of 150 million New Ordinary Shares are issued pursuant to the Placing Programme, the issued share capital of the Company following the Placing Programme would consist of 379,332,478 Ordinary Shares.

Ordinary Shares

The Ordinary Shares are quoted in, and the Net Asset Value is reported in, Sterling.

On a winding-up, Ordinary Shareholders will be entitled to the net Total Assets after creditors and any holders of shares with special rights or privileges (if any) have been paid. Distribution of revenue reserves (if any) on a winding-up is likely to be made by way of distribution immediately prior to the commencement of the winding-up.

The Ordinary Shares carry the right to vote at general meetings of the Company. In addition, each Ordinary Share in issue from time to time carries the right to vote as a class on certain proposals which would be likely materially to affect their position, including any proposed change in the Company's investment policy.

Ordinary Shares have no par value. All distributions payable to the Ordinary Shareholders will be paid in Sterling.

Further details of the rights attaching to the Ordinary Shares are set out in the section entitled "*Memorandum and Articles of Incorporation*" in Part VIII of this Prospectus.

INVESTMENT PORTFOLIO AND PERFORMANCE

Cautionary note regarding the Company's historical performance

The Company's historical results and Share price history may not be indicative of the future results. In particular, the future results of the Investment Portfolio may differ significantly from its historical results.

Background

In December 2005, the Company (previously called "Queens Walk Investments Ltd" from incorporation to 2010 and "Real Estate Credit Investments PCC Limited" from 2011 to 25 October 2016) was launched on the London Stock Exchange. The Company initially invested primarily in a diversified portfolio of subordinated tranches of asset-backed securitisations ("**Residual Income Positions**").

During the course of 2007, the asset-backed securities market experienced rapid and significant deterioration as part of the global credit crisis. As a result, the Company's assets with exposure to underlying real estate in the United Kingdom and the United States suffered heavy losses. During the calendar year 2007, the Company sold the majority of its Residual Income Positions exposed to the mortgage market in the United States and the United Kingdom and replaced its repo financing facility with term facilities. The Company used the cash inflows from the retained investment portfolio to pay down this term financing ahead of schedule, and had fully repaid the loan by April 2010. In 2007 and 2008, the Company returned over €71.8 million to investors. Over the period from inception to the second quarter of 2010, the Company paid out a total of €2.60 per Ordinary Share in dividends.

The Investment Manager also used the cash inflows from the remaining Residual Income Positions to invest in real estate debt bonds higher up the capital structure of selected real estate securitisations. By the second half of 2010 the amount of these real estate debt bonds was a significant part of the overall assets of the Company, and in September 2010, the Company received approval from Shareholders to change its investment policy to focus on European real estate bonds and loans. During the period from the incorporation of the Company to 30 June 2010, investors achieved a total Net Asset Value return of -36.5 per cent.

In August 2011, the Company converted into a PCC comprising a Core segment and a Cell segment, each with its own investment objective and policy and its own class of shares (being Core Shares and Cell Shares, respectively). The Real Estate Credit Investments were retained in the Core, while the Residual Income Positions were allocated to the Cell. The Company's final Residual Income Position was realised in January 2016, and the remaining cash distributed to holders of Cell Shares in March 2016. As at 31 March 2016, the Cell held no assets or cash and therefore ceased to exist. On 25 October 2016 the Company converted back from a PCC to a non-cellular company limited by shares.

In September 2010 raised gross proceeds of approximately €27 million by way of a placing and open offer. In conjunction with the placing and open offer, the Company made a bonus issue of Preference Shares to holders of the Ordinary Shares at that time. These Preference Shares were fully redeemed and cancelled in September 2017.

In order to show the subsequent returns to an investor from the whole Company to enable comparison to the figure to 30 June 2010 quoted above (being -36.5 per cent. total Net Asset Value return), the calculation should include returns from the Preference Shares and the Cell Shares which were in issue at the time from the corporate actions described in the two preceding paragraphs.

Combined total returns of Shareholders with Core Shares, Cell Shares and Preference Shares

Taking returns from each of the share classes (assuming the investor did not subsequently dispose of the shares allotted to him), the total Shareholder returns were as set out in the table below.

	1 Jul – 31 Dec 2010	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2012
Total Shareholder Return	15.74%	13.38%	32.64%

Total returns of Shareholders with Core Shares

In contrast, the figures set out in the table below are based on the returns to an investor only in the Core Shares since the end of 2011, and do not take into account returns from the Cell Shares or Preference Shares (all of which have since been redeemed and cancelled).

	2012	2013	2014	2015	2016	2017	2018	2019
Total Shareholder Return	44.1%	50.8%	10.9%	13.1%	0.3%	14.2%	6.0%	8.8%

The Investment Portfolio

Assets

The Company maintains its mandate to invest in Real Estate Credit Investments. The Investment Portfolio is a blend of securitised real estate bonds and real estate loans. The allocation of the Investment Portfolio between bonds and loans is done on a determination of relative value between competing investments. In light of current market conditions, the Investment Manager expects to favour further loans in the short term.

Assets – top 10 exposures (by commitment value as at the date of this Prospectus)¹

	Description	Commitment	LTV ²	Investment Strategy	Asset Type ³	Manager Commentary
1	Paris Prime Resi/Retail Building	£46.3m	67%	CMBS	Core+	Assets requiring asset management to secure a core income profile
2	UK Mixed Use Portfolio	£38.0m	74%	CMBS	Core+	Assets requiring asset management to secure a core income profile
3	Lisbon Aparthotel	£33.0m	63%	Senior Loan	Development	Development: Groundworks/Super-Structure
4	London Mixed Use Development	£31.1m	45%	Senior Loan	Development	Substantially complete, fully pre-let and pre-sold
5	London Mixed Use Development	£24.9m	64%	Senior Loan	Development	Substantially complete, partially pre-let
6	UK Care Homes	£21.8m	73%	CMBS	Core	Stable, income producing assets
7	Regional UK Housebuilder	£19.9m	82%	Profit Sharing Mezzanine Loan	Real Estate Op-Cop/ Prop-Co Loan	Secured by a real estate company, as well as its individual properties
8	London Office to Residential	£18.3m	36%	Senior Loan	Development	Development completed, now in fit-out stage
9	Regional UK Housebuilder	£17.8m	75%	Profit Sharing Mezzanine Loan	Real Estate Op-Cop/ Prop-Co Loan	Secured by a real estate company, as well as its individual properties
10	UK Leisure	£16.9m	65%	CMBS	Core	Stable, income producing assets

¹ The top 10 exposures represent 77.0 per cent. of the Company's total portfolio as at 31 January 2020.

² LTV ratios shown are as at 31 January 2020

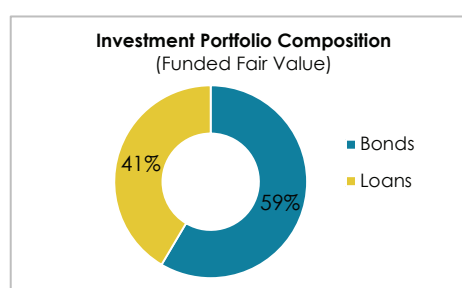
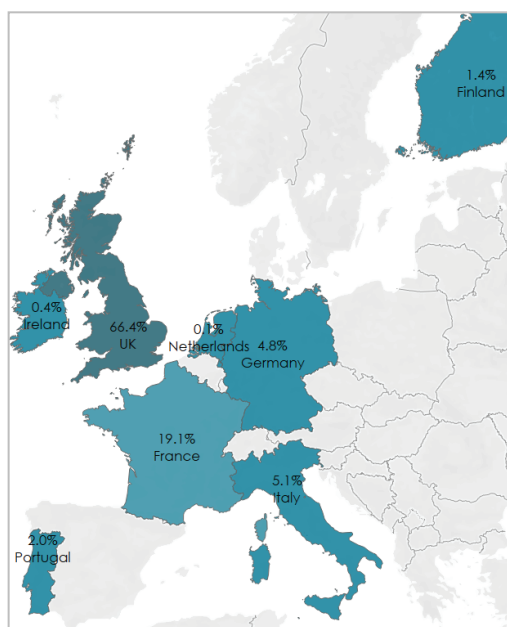
³ Asset type definitions:

- Core – assets that benefit from having long term income
- Core + – assets that benefit from having strong current income, but do require some measure of asset management to optimise its income profile and term
- Value add/transitional – assets that require asset management (typically refurbishment) and re-letting to secure a core income profile
- Development – assets that are either to be built from the ground up or are in need of substantial refurbishment works. These typically already benefit from the requisite consent to develop

Valuation

As at 31 January 2020, the total net asset value of the Company (unaudited) was £347.5 million, consisting of, *inter alia*, £394.5 million of investments and £35.8 million in cash, minus liabilities.

A breakdown of the Company's Real Estate Credit Investments at the Latest Practicable Date by jurisdiction (by reference to the underlying asset jurisdiction) and asset type (by reference to underlying asset collateral) is set out below.



* Charts are based on the following information:

- (i) funded fair value of the Real Estate Credit Investments as at 31 January 2020; and
- (ii) excludes cash and hedges.

Currency split

The following table illustrates the currency composition of the Investment Portfolio as at 31 January 2020:

Currency	Proportion of Investment Portfolio (%)
Sterling	66.7
Euro	33.2
Total	100.0

Euro exposure is currently hedged by a combination of FX forwards and options.

Real estate loan portfolio

The Company's loan investments are unlisted and are structured to offer an attractive yield through a combination of running coupons and upside participation. As at 31 January 2020, the loan portfolio accounts for 47.1 per cent. of the Net Asset Value. The loan portfolio, as at 31 January 2020, consists of 17 loans, with a market value of £163.6 million.

The below table highlights some key data relating to the Company's current loan portfolio:

Loan portfolio summary¹

Number of loans	17
Drawn Value	£163.6m
Undrawn Loan Commitments	£61.4m
Weighted average Yield ²	9.4%
Weighted average LTV ³	65.6%
Weighted average Life (years)	1.4

1. Figures are as at 31 January 2020.
2. The effective yield of the loans is the accounting yield based on the funded loan balances, which includes interest and fees. Some loans also enjoy equity upside participation, which is only recognised following evidenced delivery, which can result in significant incremental gains in excess of the accounting yield. The yield is based on Cheyne Capital's pricing assumptions and actual returns may differ materially from those expressed or implied herein.
3. The weighted average LTV has been calculated by Cheyne Capital by reference to the current value ascribed to the collateral by Cheyne Capital. In determining these values, Cheyne Capital has undertaken its own internal valuation of the underlying collateral. Such valuations have not been subject to independent verification or review.

Real estate bond portfolio

As at 31 January 2020, the Company's bond portfolio comprises bonds that have some or all of the following key characteristics:

- Euro or GBP denominated;
- unlisted;
- held at Euroclear or in bearer or book entry form;
- backed by portfolios of UK and European mortgage-backed securities; and
- priced on a mark-to-market basis.

As at 31 January 2020, the market value of the Company's bond portfolio is £230.8 million with a current notional par value of £222.3 million.

SHAREHOLDER RESOLUTION IN CONNECTION WITH THE PLACING PROGRAMME

The Placing Programme is conditional on the approval of the Required Resolution, which must be passed as an Extraordinary Resolution at the EGM.

The Companies Law and the Articles require that any disapplication of pre-emption rights be approved by an Extraordinary Resolution (that is 75 per cent. of the Existing Ordinary Shareholders present and voting, whether in person or by proxy).

The Required Resolution

- To disapply the pre-emption rights contained in the Articles in respect of 150 million New Ordinary Shares to be issued pursuant to the Placing Programme, such disapplication to have effect for the duration of the Placing Programme (unless previously renewed, varied or revoked by the Company in a general meeting).

If the Required Resolution, which is an Extraordinary Resolution, is not passed at the EGM, the Company will not be able to carry out Placings pursuant to the Placing Programme unless the Existing Ordinary Shareholders resolve to disapply pre-emption rights at a future general meeting of the Company.

PART II

THE INVESTMENT OPPORTUNITY

The information sourced from third parties in this Part II has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the stated sources, and on the advice of the Investment Manager, no facts have been omitted which would render the information inaccurate or misleading.

MARKET OPPORTUNITIES

The Directors, on the advice of the Investment Manager, believe that there is an on-going supply and demand imbalance in real estate credit markets which continues to offer attractive risk-adjusted returns.

Banks (both commercial and investment banks) in the UK and Western Europe continue to be increasingly curtailed in their real estate lending activities due mainly to increasing regulation and capital requirements such as Solvency II and Basel IV. Britain's decision to withdraw from the European Union has further reduced UK real estate lending appetite for banks and many emerging foreign opportunity funds. The real estate borrower community, however, continues to require commercially sensible financing to be delivered in a timely manner and with certainty of execution.

Over the last few years, the Investment Manager believes that there has been continued momentum in the Western European real estate markets (more so than in the UK), reflecting the strength and stability of those underlying economies. There is the opportunity to originate senior loans, secured by long term income-producing assets across Europe where the Investment Manager believes such senior loan opportunities offer attractive risk-adjusted returns. In contrast, valuations for most UK assets have not fully recovered from the lows they reached following the referendum on Brexit in June 2016. Following the UK general election in December 2019, there has been some capital inflow into UK commercial real estate, and some modest price increases. However, the Investment Manager believes that further increases in prices will likely be checked and keep in lock-step with incremental visibility on a comprehensive trade deal between the UK and the European Union. The significant price of real estate assets in the UK, particularly in the London office and UK retail and high-end residential markets, continues to provide an opportunity to originate loans and CMBS at a more defensive risk position, lending at conservative leverage advances for improved economics compared to prior years. There is also an opportunity to lend against value-add or development assets in primary cities across the UK.

In the mortgage-backed securities markets, the Investment Manager believes that primary issuance volumes improved in 2018 and 2019. However, the Investment Manager believes the price of real estate assets continues to offer a compelling opportunity, particularly in high conviction bonds where there appears to be minimal downside to date (notwithstanding Brexit), to achieve yields at relatively conservative LTVs.

The Investment Manager believes there will be continued uncertainty for some years yet whilst the complex details of trade arrangements between the UK and the European Union are negotiated. It is the Investment Manager's view that this will continue to negatively impact values of UK real estate assets as well as impede foreign lenders from fully re-entering the UK markets.

In keeping with the elevated uncertainty, lenders should be able to require a higher return, lower risk profiles and stronger covenants to compensate. This provides the Company with a continuing attractive entry point to UK senior lending which leads to lower LTVs and higher margins.

The Investment Manager sees an attractive investment opportunity in participating in the current market dynamic in both real estate credit and mortgage-backed securities markets. The regulatory environment for banks, coupled with Brexit, contribute to an ongoing compelling environment for the Company to grow its market share in real estate credit.

UK COMMERCIAL REAL ESTATE FINANCE

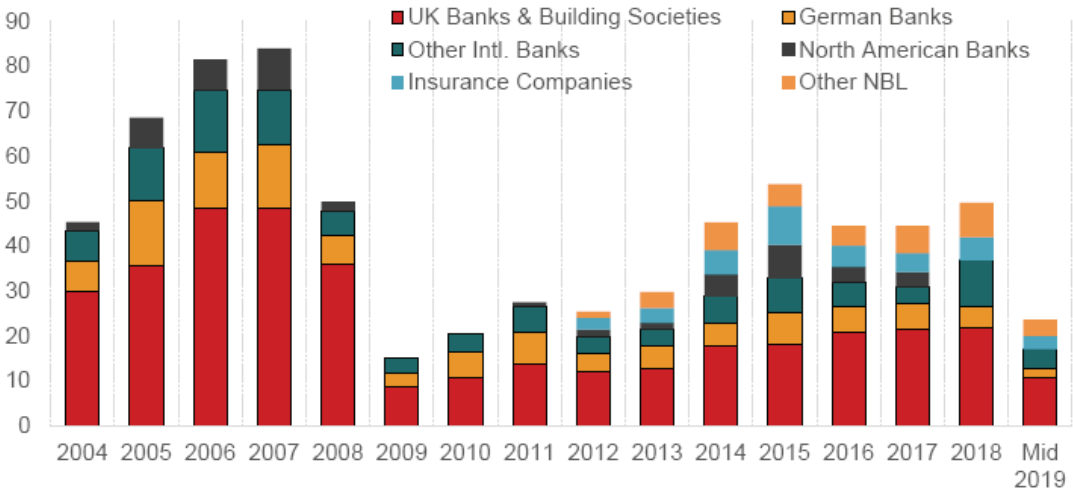
In the years that have followed the global financial crisis, the real estate credit market landscape has changed dramatically, both in terms of the credit parameters available and the number and nature of the credit

providers. These fundamental changes have been driven by a combination of factors, such as the large amount of deleveraging that UK and Irish banks went through in the aftermath of the financial crisis, the imposition of more stringent capital adequacy requirements and the need for increased risk aversion in a significantly more regulated environment. The severe lack of liquidity that the market experienced during this time meant that alternative sources of credit were sought and new forms of capital were invested into the UK commercial real estate (“**CRE**”) market. This ‘alternative’ sector has seen substantial growth since its inception, to the point that it has now become a mainstream and enduring form of financing given it affords the CRE market a level of flexibility and speed of delivery that should ensure that the evolution of the market is structural and permanent, as opposed to a temporary phenomenon. The Company has been highly active in this sector since 2009 and the Investment Manager and the Directors believe that the Company is well placed to take advantage of opportunities within it, especially the senior debt opportunities which the Investment Manager believes offer attractive risk-adjusted returns.

The CRE market following the financial crisis has been marked by a fragmented and highly fluid approach by the senior lending segment, again caused by a need for balance sheet management and compliance with tighter regulation. However, the Investment Manager believes that there exist attractive yields, good credit quality of investments and strong counterparties which make investment in this market compelling, and the Company has succeeded in building its presence and reputation in the CRE market since the financial crisis.

Since the global financial crisis, the CRE market has transformed. The level of change is evident by a number of measures, the starkest being the rise of lending levels up to 2007 followed by the steep drop in lending levels once the financial crisis set in. This can be seen in Figure 1 below.

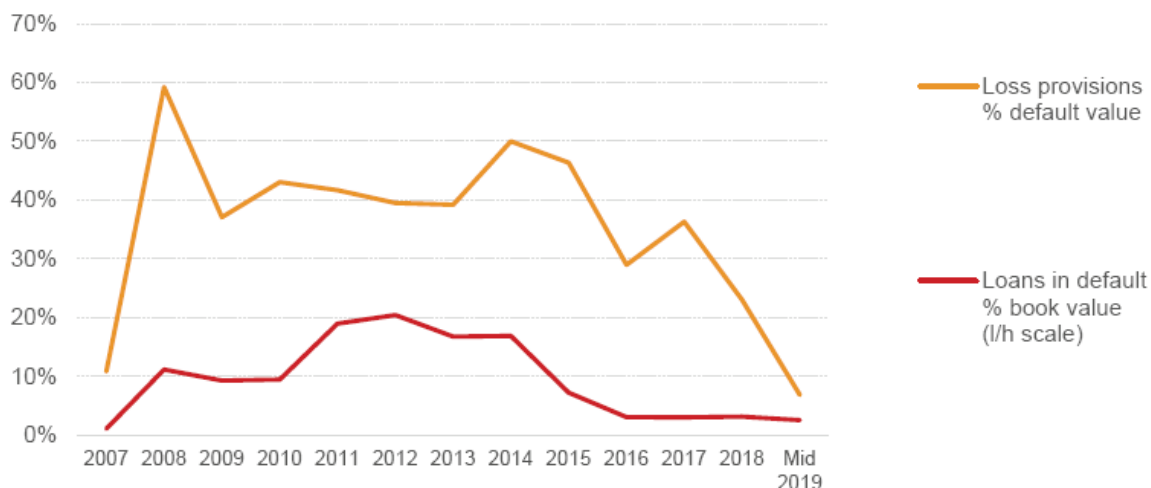
Figure 1: Loan originations by lender type, £bn of total 1999 – June 2019 (Source – CASS CRE Lending Survey)



Source: Cass CRE Lending Survey. Note Insurers were not identified as a separate lender type before 2012.

One way in which the banking sector reacted to the financial crisis in 2008 was to divert a large amount of resource to cover defaults in their back book loan portfolios, taking into account the amount of distress that prevailed at that time (see Figure 2 below). This resulted in other providers of credit stepping into the market, notably insurance companies and debt funds attracted by the market opportunity. This situation enabled the alternative investment fund sector to gain traction in the CRE market and become a more widely accepted funding provider. Savills report that alternative lenders (non-bank lenders and insurance companies) have responded to this opportunity and continue to increase their market share, with further opportunities for alternative lenders likely over the next five years.

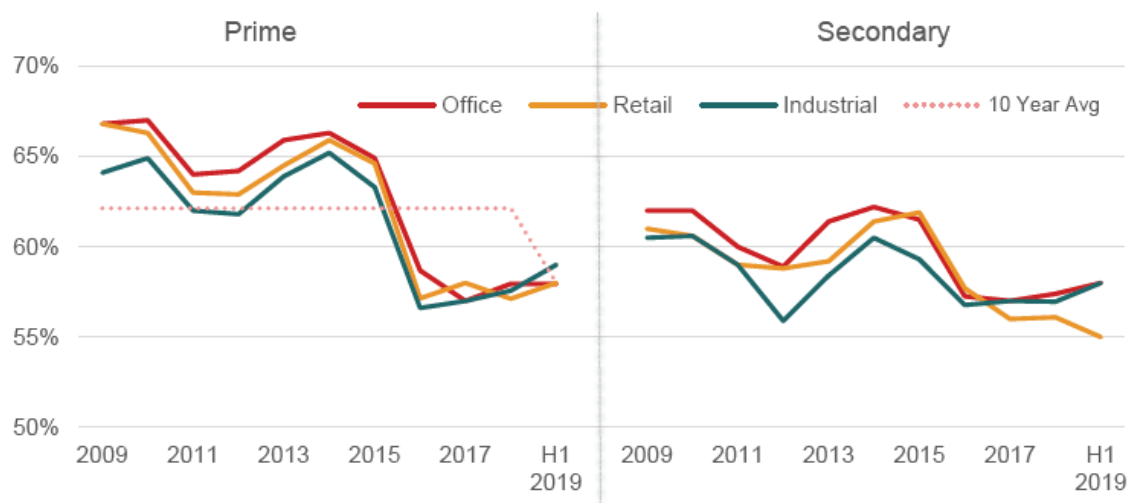
Figure 2: Defaults and loss provisions, % of value 2007 – June 2019 (Source: CASS CRE Lending Survey)



The CRE credit market has seen senior debt providers constrained in terms of leverage or LTV ratios in recent times. Lower LTV ratios have been prevalent since the financial crisis and the Investment Manager believes that this change is likely to continue and become the market norm, partially as a result of increased regulatory compliance obligations since the financial crisis. As a consequence, the Investment Manager and the Directors believe that this shift represents a structural change in the CRE credit market which should enable alternative providers, such as the Company, to continue to be relevant and to increase their share of the CRE credit market for the medium to long term.

Figure 3 shows the impact that tighter regulation has had on LTV ratios.

Figure 3: Average of maximum senior LTV ratio, % 2009 – June 2019 (Source: CASS CRE Lending Survey)



In addition to the requirement for lower LTVs from lenders, the Investment Manager has seen attractive opportunities emerging in alternative asset classes within the CRE market, such as hotels, healthcare and student accommodation, in which it believes there have been significantly lower levels of senior debt provider participation. These are all segments of the CRE market in which the Investment Manager continues to see attractive opportunities emerging.

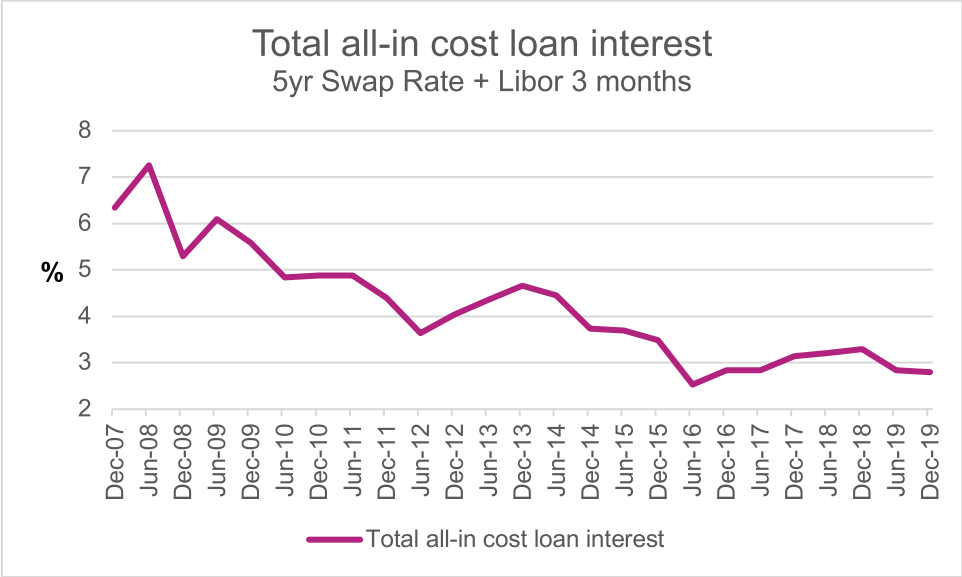
UK CRE credit-diversification continues

Figure 1 (above) shows the greater levels of diversity in lending sources since the financial crisis, with the share of UK banks and building societies in the loan origination market shrinking following the global financial crisis. Whilst it has shown a small uptick since 2009, the share of UK banks and building societies in the loan origination market still remains significantly below its peak. As shown in Figure 1 (above), the make-up of the entities providing credit within the UK market has altered considerably over this period.

The more fragmented position seen in Figure 1 (above) demonstrates that the wider CRE market has embraced alternative sources of funding and, in fact, even when combining the unprecedented low cost of funding currently seen in the senior debt segment with the higher leverage and return requirements of mezzanine and junior debt providers, the blended cost of funds are still attractive for the investment market. A typical all-in combined cost of capital for a joint senior and mezzanine funding package on a good quality asset would be around the 500bps to 600bps range, which, in the context of historical funding costs, would be seen as attractive to the CRE investor market.

An illustration of the fall in the cost of borrowing since 2008 is set out in Figure 4 below.

Figure 4: UK Cost of Borrowing 2008-2019 (Source: CASS Business School, Cheyne)



An example of structured funding solutions is set out in Figure 5 below, showing, in the Investment Manager's experience, typical funding structures both pre- and post-financial crisis.

Figure 5: Illustrative funding capital structure pre- and post-financial crisis

Pre-financial crisis	Post-financial crisis
Senior loan: 80% LTV	Senior loan: 50 – 65% LTV
Mezzanine loan: 95% LTV	Stretch-senior: 55 – 70% LTV
	Mezzanine loan: 65 – 80% LTV
Equity: 5%	Equity: 20-35%

The Outlook

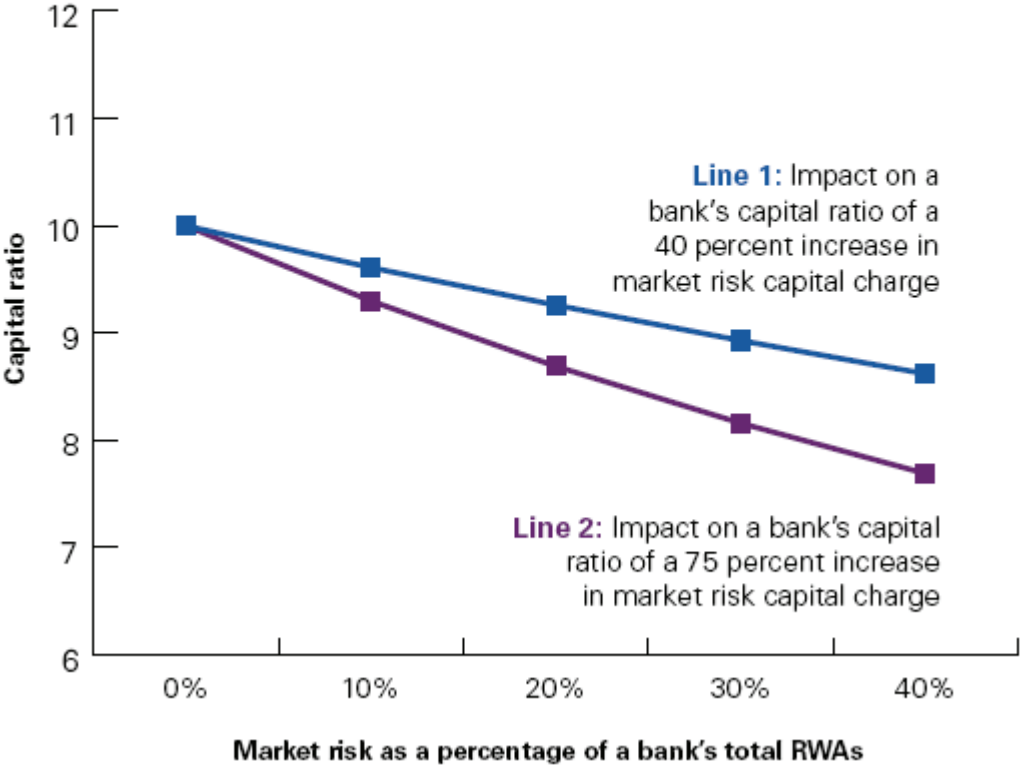
Regulation and increased supervision looks set to continue, with further headwinds faced by the banking sector including Basel IV and Brexit implications, all of which the Investment Manager believes will impact bank balance sheets and lending appetite in the short-medium term.

Basel IV's latest rules look to reduce the complexity and remove excessive variability in Risk Weighted Assets ("RWAs"), which will have the impact of reducing capital adequacy levels and therefore putting banks under further pressure to shrink their real estate lending book. Indeed, the Basel IV rules look to remove the option for banks to calculate their RWAs using internal models and will become subject to a 'standardised' approach. The standardised approach is estimated to increase the 'market risk' capital requirements by 40 per cent. on a weighted average basis. As an example, if market risk accounted for 30 per cent. of a

bank's RWAs then a 40 per cent. increase in market risk capital would inflate the bank's total RWAs by 12 per cent. and correspondingly reduce its capital ratio from approximately 10 per cent. to 8.9 per cent. This would in turn enable greater opportunities for alternative lenders such as the Company to fill the void created.

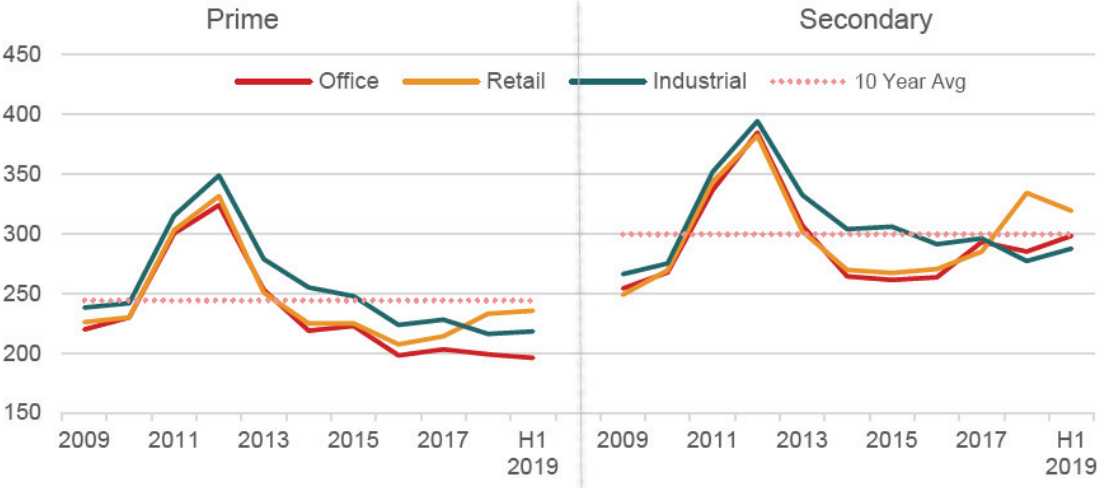
Figure 6: Impact of higher risk weights on market risk (Source: KPMG)

Impact of higher risk weights on market risk



One of the ongoing impacts of the increase of RWAs could be an increase in the margins that the banking sector charges for its loans due to their increased capital requirements. The Investment Manager considers that this could result in higher margins as banks seek to maintain profit levels across their portfolios.

Figure 7: Lending margins by property type (basis points) (Source: CASS CRE Lending Survey)



The Investment Manager believes that the implications of an increase in senior lending margins would include the narrowing of the average margins between the traditional banking market and the alternative lending market, which, in the Investment Manager's opinion, will eventually result in the alternative lending market being a mainstream supplier of debt capital to the real estate sector.

WESTERN EUROPEAN MARKETS

The Investment Manager continues to see a significant influx of capital into the Western European real estate market and, whilst it is becoming easier to accumulate capital, the challenge for investors will be to invest sensibly.

France

The Investment Manager believes there is an opportunity to increase the pipeline of investment opportunities in France.

The French real estate market has few alternative debt funds which can offer flexible and creative solutions to real estate operators. The market remains dominated by French and German banks which have a standardised approach to risk. The Investment Manager believes there is an opportunity to fill that gap and offer loans where banks have not traditionally been active. The Investment Manager believes that UK and US private equity funds which invest in France will welcome a finance provider offering a product which they have been using in their traditional home market, but which until now has not been widely available in France. Another area of opportunity lies with local property developers who are typically not well covered by banks and usually have great property expertise but limited access to capital. A finance provider offering sophisticated and tailored solutions would be attractive for them and allow them to grow at a faster pace.

France is the European Union's second largest economy by GDP after Germany following the UK's exit from the European Union. The Investment Manager believes France has many attributes that make it attractive, namely a stable political, administrative and legal system, a central geographical position in Europe, modern infrastructure and a skilled and productive workforce. The Investment Manager also views France as one of the largest markets in Europe for commercial real estate. The Investment Manager believes there has been consistently high investment volumes over the last three years in France and that this has attracted a lot of overseas investors, such as German open-ended funds, as well as British and US investors.

Germany

Investors are looking to inject large amounts of capital in the German real estate markets which attract interest because of their maturity as a market and Germany's status as a safe haven in Europe. In the search for attractive yields, the Investment Manager believes that investors will continue to be forced to look into regional markets where prime locations offer a good choice of ownership with relatively high initial yields. The Investment Manager has capitalised on attractive lending opportunities in North Rhine Westphalia in the past and continues to monitor the regional markets via an established network of regional business partners.

The Investment Manager believes that despite the dampening of the economy, there will be strong demand for German real estate investments driven by Germany's status as a safe haven in Europe and interest rates being at all-time historic lows. The supply shortage of housing and offices will remain a prevalent issue and development projects are expected to continue to account for a larger proportion of the transaction volume than previously. The Investment Manager continues to explore Germany to identify suitable investment opportunities.

THE UK AND WESTERN EUROPEAN MORTGAGE-BACKED SECURITY MARKET

Background information relating to mortgage backed securities

Mortgage-backed securities

Mortgage-backed securities are a form of asset-backed security ("**ABS**") typically secured by a discrete pool of financial assets, typically residential or commercial mortgage loans. Cash flow from the assets is used to service interest and repay principal on the related securities. In a basic securitisation structure, an entity (the "**originator**") which is often a financial institution, originates or otherwise acquires a portfolio of financial assets such as mortgage loans, either directly or through an affiliate. It sells the assets to a

bankruptcy-remote SPV incorporated specifically for the purpose of acquiring the assets and issuing securities that are secured or “backed” by those assets. The pool of assets is managed by a servicer, which may be the same entity as the originator. The servicer performs a variety of roles, including among other things, collecting payments on the underlying financial assets (for example, residential mortgage loans) and structuring work-outs of non-performing assets (for example, defaulted or delinquent residential mortgage loans). The mortgage-backed security structure is intended, amongst other things, to transfer credit risk on the assets from the originator to the mortgage-backed security investors while at the same time insulating the mortgage-backed security investors from the corporate credit risk of the originator.

The SPV services payments of interest and repayments of principal on the mortgage-backed security primarily from the cash flows generated by the financial assets contained in the underlying portfolio but may also have recourse to other sources of funds which are incorporated into the securitisation structure in order to ensure full and timely payment. These features, typically referred to as liquidity enhancement or credit enhancement, depending on the particular aspects of the portfolio they are intended to address, include liquidity facilities, cash reserves, letters of credit, over-collateralisation (that is, the degree by which the notional principal amount of a given financial asset portfolio exceeds the principal amount of the liabilities secured by that portfolio), subordinated loans and guarantees. Mortgage-backed security transactions typically include interest rate hedges to protect the transaction from increases in interest rates.

Common types of mortgage-backed security – CMBS and RMBS

While there are a number of types of mortgage-backed security, CMBS and RMBS continue to represent the bulk of outstanding issuance in the UK and Western European ABS markets.

CMBS are securities secured by or evidencing ownership interests in a single mortgage loan secured by one or more commercial properties or a pool of mortgage loans secured by commercial properties. These securities may be senior, junior, investment grade or non-investment grade. The yield on CMBS will depend, in part, on the timely payment of interest and repayment of principal due on the underlying mortgage loans, and defaults by the borrowers on such loans may ultimately result in deficiencies and defaults on the CMBS. In the event of a default, the trustee for the benefit of the holders of the CMBS will typically have recourse only to the underlying pool of mortgage loans and, if a loan is in default, to the mortgaged property securing such mortgage loan. After the trustee or other parties appointed under the securities has exercised all of the rights of a lender under a defaulted mortgage loan and the related mortgaged property has been liquidated, typically no further remedy will be available.

The credit quality of CMBS depends primarily on the credit quality of the underlying mortgage loans. Among the factors likely to determine the credit quality of a mortgage loan are: (i) the principal amount of the mortgage loan relative to the value of the related mortgaged property; (ii) the maturity date of the mortgage loan; (iii) the creditworthiness of tenants occupying the mortgaged properties (upon which the borrower generally relies for funds to repay the mortgage loans); (iv) the purpose of the mortgage loan (for example, refinancing or new purchase); (v) the mortgage loan terms (for example, duration, amortisation, balloon payment amounts, reserves and prepayment terms) and (vi) the geographic location of the mortgaged property securing the mortgage loan.

RMBS are securities secured by or evidencing ownership interests in pools of mortgage loans secured by residential properties. Similar to CMBS, the yield on RMBS will depend, in part, on the timely payment of interest and principal due on the underlying mortgage loans by the borrowers. Defaults by such borrowers may ultimately result in deficiencies and defaults on the RMBS.

Typical mortgage-backed security capital structure

The capital structure of a typical securitisation involves the issue by the SPV of multiple tranches of debt securities. The various tranches have different rankings as to entitlement to payment of interest and principal both before and after any enforcement of the security underlying the debt obligations. Each junior tranche provides credit enhancement to the tranches which rank senior to it, since the holders of the senior tranches are generally entitled to payment before payments are made to the holders of the junior tranches. For example, in a securitisation that issues debt securities in the form of “A” notes, “B” notes and “C” notes in declining order of seniority, the “B” notes and “C” notes provide credit enhancement to the “A” notes, and the “C” notes provide credit enhancement to the “B” notes. In the event of a default on any of the financial assets backing the transaction, any shortfall is absorbed first by any additional credit enhancement in the

transaction (such as over-collateralisation or a cash reserve, subordinated loan, residual certificate or any other residual income position in the structure) and then by the most junior tranche of the debt securities issued (in this example, the “C” notes) to the extent of the credit enhancement provided by that tranche, and then by the next most senior tranche or tranches until the shortfall has been absorbed in its entirety. Generally, the most subordinated tranche of securities is therefore the most sensitive to delinquencies and credit losses in relation to the underlying assets, and the most senior tranche is the least sensitive to them. Residual income which is available at the bottom of the payment waterfall of a typical mortgage-backed security structure after the other debt and transaction costs have been met has, historically, often been retained by the originator. Should a default or decrease in expected payments under a particular securitisation structure occur, the deficiency will first affect the residual income position (which is also often referred to as the “equity” or “first loss” position) which will be the first to have its payments decreased by such deficiency.

UK and Western European mortgage-backed security opportunity

Since the global financial crisis, traditional arrangers of UK and Western European CMBS (such as investment and commercial banks) and dedicated investors have largely exited public capital markets. For both originators and end-investors, significant regulatory pressures and costs have resulted in depressed equity returns versus holding private debt.

The Investment Manager considers that for investors capable of holding mortgage-backed securities efficiently, the risk and return profile available in the UK and Western European CMBS market is currently far superior to equivalent credit in both the UK and Western European high yield corporates and US CMBS. Furthermore, as balance sheet lenders have retreated from non-core assets and markets, there is an attractive opportunity for alternative lenders/arrangers to fill the resultant funding gap.

Due to strong demand from borrowers and investment banks to find mortgage-backed security solutions to address such shortfalls, the Investment Manager is actively pursuing opportunities to work with the banking and borrower communities to structure and originate new issue CMBS collateralised by high-quality senior and mezzanine debt. The advantages of this strategy include the ability to directly negotiate and structure the underlying debt, retain all economics (origination fees and margin), employ efficient leverage and to invest in bespoke transactions with highly attractive additional liquidity features (i.e. listing, clearing, detailed surveillance and reporting). In the period 2017-2019, the Investment Manager successfully closed multiple transactions of this nature.

Summary

The recapitalisation of the banking sector since the financial crisis continues to be an ongoing process which has seen a collective reduction in the size of real estate banking balance sheets. The Investment Manager believes that the opportunity that exists within the UK and European debt market is set to continue as a result. The Investment Manager continues to see significant high quality risk-adjusted opportunities in the CRE market, and holds a firm belief that the shift in the composition of credit providers to the CRE market is a permanent structural change rather than a temporary solution to poor liquidity.

The Investment Manager believes this is an opportune time for investments into real estate debt, in particular for the UK, French and German senior lending markets. The Company, via its relationship with the long established real estate credit platform of Cheyne Capital, is well placed to capture this opportunity and to establish a lasting market presence for itself.

PART III

MANAGEMENT OF THE COMPANY

MANAGEMENT OF THE COMPANY

The Board of Directors is responsible for the determination of the Company's Investment Objective and Policy as specified in this Prospectus and has overall responsibility for its activities. The Directors, all of whom are non-executive, are as follows:

Bob Cowdell (*Chairman*) (UK resident). Mr Cowdell has focused on the financial sector throughout his career, initially as a solicitor and then as a corporate broker and adviser. Previously, he was co-founder and head of the ABN AMRO Global Investment Funds Team and then Head of Financials at RBS Hoare Govett. He is the independent non-executive chairman of Castel Underwriting Agencies Limited; and an independent non-executive director of Thomas Miller Holdings Limited and a former non-executive director of Baillie Gifford UK Growth Fund plc, Catlin Underwriting Agencies Limited, Catlin Insurance Company (UK) Limited, XL Insurance Company SE and XL London Market Limited. Mr Cowdell is a Freeman of the City of London and a member of the Institute of Directors and the Chartered Insurance Institute.

Sally-Ann Farnon (known as Susie) (Guernsey resident). Mrs Farnon is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1983. She is a former Banking and Finance partner of KPMG Channel Islands from 1990 until 2001 and head of the Channel Island Audit Practice from 1999 until 2001. She has served as President of the Guernsey Society of Chartered and Certified Accountants and as a member of the States of Guernsey Audit Commission and as Vice-Chairman of the Guernsey Financial Services Commission. Susie is a non-executive director of a number of property and investment companies listed on the London Stock Exchange or elsewhere and is a board member of the Association of Investment Companies.

John Hallam (Guernsey resident). Mr Hallam is a Fellow of the Institute of Chartered Accountants in England and Wales and qualified as an accountant in 1971. He is a former partner of PricewaterhouseCoopers having retired in 1999 after 27 years with the firm both in Guernsey and in other countries. He is the Chairman of NB Distressed Debt Investments Fund Ltd as well as being a director of a number of financial services companies, some of which are listed on the London Stock Exchange or elsewhere. He served for many years as a member of the Guernsey Financial Services Commission from which he retired in 2006 having been its chairman for the previous three years.

Graham Harrison (Guernsey resident). Mr Harrison is co-founder and managing director of Asset Risk Consultants Limited, an investment consulting practice based in Guernsey. After obtaining a Masters in Economics from the London School of Economics, he began his career working in structured finance for Midland Montagu in London and then as a project economist for the Caribbean Development Bank in Barbados. In 1993, he moved back to Guernsey to help develop investment-related business for the Bachmann Group and in 2002 he led a management buy-out which saw Asset Risk Consultants Limited become an independent business. A Chartered Fellow of the Chartered Institute for Securities and Investment, he has been on the Board of the Company since launch. He is also currently a non-executive director of a number of investment and asset management companies including BH Global Limited and Volta Finance Limited.

Mr Harrison and Mrs Farnon are on the board of BH Global Limited, but the Company believes that this does not impact their ability to be considered independent.

All Directors are independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Corporate Governance

In accordance with the UK Code, the Board has established an audit committee, a nomination committee and a management engagement committee, in each case with formally delegated duties and responsibilities within written terms of reference. The Board has not established a remuneration committee as the Company does not and currently intends not to have any executive directors or employees.

The audit committee is chaired by Mrs Farnon, and its other members are Mr Cowdell, Mr Harrison and Mr Hallam. Only independent non-executive directors serve on the committee and members of the committee have no links with the Company's external auditors and are independent of the Investment Manager. The audit committee meets not less than three times a year and meets the external auditors at least twice a year.

The audit committee is responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration, as well as assessing the effectiveness of the external auditor. The committee is required to consider the nature, scope and results of the auditors' work and reviews, and develop and implement policy on the supply of any non-audit services that are to be provided by the external auditors. It receives and reviews reports from the Investment Manager and the Company's external auditors relating to the Company's annual report and accounts. The committee focuses particularly on compliance with legal requirements, accounting standards and the Listing Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts will remain with the Board. The Company does not have an internal audit function but due to internal control processes put in place by the Administrator, Depositary and Investment Manager, the Board has decided to place reliance on their systems and internal control procedures.

The nomination committee is chaired by Mr Cowdell, and its other members are Mr Harrison, Mr Hallam and Mrs Farnon. The members of the committee are and will be independent non-executive directors. The terms of reference state that the committee will meet not less than once a year, will have responsibility for considering the size, structure and composition of the Board, and retirements and appointments of additional and replacement Directors and will make appropriate recommendations to the Board.

The management engagement committee is chaired by Mrs Farnon and its other members are Mr Harrison, Mr Hallam and Mr Cowdell. The management engagement committee will meet at least once a year for the purpose of the evaluation of the performance of the Company's service providers, the review of service agreements and service level statements and the level and method of remuneration.

The holders of the position of the chairman of the committees referred to above is reviewed on an annual basis. The membership of these committees and their terms of reference will be kept under review.

The performance of the Chairman of the Board is assessed by the senior independent Director (currently Mr Hallam) through discussions with the other Directors (other than the Chairman).

MANAGEMENT OF THE COMPANY'S ASSETS

As discussed more fully under the section entitled "*Investment Management Agreement*" in this Part III of this Prospectus, the Company has entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager is responsible for the management of the Company's assets, subject to the overall supervision of the Directors.

The Investment Manager

Cheyne Capital is a London-based limited liability partnership registered in England and Wales on 8 August 2006 and is authorised and regulated in the conduct of investment business in the United Kingdom by the FCA.

Cheyne Capital Management Limited is the corporate member and predecessor in interest of the Investment Manager and commenced business in 2000. The Cheyne Capital group, which includes the Investment Manager, is a diversified alternative investment management firm specialising in credit-based investments across the risk spectrum, including high-grade, asset-backed, convertible bonds and sub-investment grade strategies. As at 31 January 2020, Cheyne Capital managed gross assets of approximately US\$7.3 billion, with 162 partners and employees in offices across London, Bermuda, Dubai, New York, Berlin, Dublin and Zurich. The Cheyne Capital group was founded by Jonathan Lourie (Chief Executive Officer) and Stuart Fiertz (President and Director of Research) in 1999 following ten years previously working together at Morgan Stanley in London.

As at the date of this Prospectus, the portfolio management team (as described below) manages a number of funds and investment vehicles managed by Cheyne Capital.

Details of the fees and expenses payable to the Investment Manager pursuant to the Investment Management Agreement are set out in the section entitled “*Investment Manager’s Fees and Expenses*” in this Part III of this Prospectus.

Professional liability risks resulting from those activities which the Investment Manager carries out pursuant to the AIFM Directive are, to the extent required by law, covered by the Investment Manager through a professional liability insurance policy.

The Investment Management Team

Investment partner Ravi Stickney leads a team of 33 dedicated professionals focused solely on the European real estate markets.

The Investment Management Team covers the entire real estate debt capital structure, permitting informed assessment of relative value and access to transactions and allowing the Investment Manager to consider investing in debt at all levels of the real estate capital structure. Its members have extensive experience in the structuring, execution and management of term securitisation and loan transactions involving many types of assets, including portfolios comprised of commercial and residential mortgages. This experience includes asset portfolios across multiple jurisdictions, focused primarily on Europe and the United Kingdom.

The Investment Manager’s Resources

The Company does not maintain an office or employ personnel. Instead it relies on the facilities and resources of the Investment Manager to conduct its day to day operations. The Company has access to all of Cheyne Capital’s infrastructure (operational and risk management systems) and resources as well as a team of professionals responsible for the day-to-day operations of the Company. The Company also believes that the reputation of the Investment Manager and its close working relationships with several market participants will afford it broad access to investment opportunities.

The key principals of Cheyne Capital’s real estate debt team involved with the day-to-day provision of investment management services to the Company are currently Messrs Ravi Stickney, Richard Lang, Arron Taggart, Raphael Smadja, Daniel Schuldes and Sa’ad Malik. Their biographies, together with the biographies of other key members of the Investment Management Team, are set out below.

Ravi Stickney is Head of the Real Estate Team. He joined Cheyne in 2008 and has 20 years’ experience in the real estate debt markets. Previously he was on ING Bank’s proprietary investments desk (2005 to 2008), with sole responsibility for managing a €400 million long/short portfolio of European commercial real estate credits and CMBS. Prior to that, he was at Lehman Brothers (2002 to 2005), structuring and executing UK and European CMBS/RMBS and commercial real estate mezzanine loans. He acted as sole operating advisor to the restructuring and eventual sale of the first distressed UK CMBS deal, and he continues to play an active role in the direction of various distressed European real estate credits. He began his career on the UK commercial real estate desk at Ernst & Young in 1998.

Richard Lang is Business Manager of the real estate desk, and is a partner at Cheyne having joined in 2007. Before joining Cheyne, Mr Lang worked at Barclays Capital, and prior to that was at Deutsche Bank where he was responsible for the controlling of the Commercial Mortgage Backed Securities and Securitised Products businesses. Before that he worked in management roles within the fixed income areas of RBS and Paine Webber. He is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a chartered accountant in 1999.

Arron Taggart has over 20 years’ experience in the real estate markets. He joined Cheyne in August 2012 to originate real estate loans in the UK and Northern Europe. Prior to Cheyne, Arron was a Property Specialist and Partner at Clydesdale Bank responsible for the origination and execution of real estate loans in London and the South of England. He was also responsible for the management of the loan portfolio and setting regional strategy. Prior to Clydesdale Bank he was at Bank of Scotland and Hitachi Capital.

Raphael Smadja joined Cheyne in January 2014 and has 10 years’ experience. Prior to Cheyne, he was an Associate Director in Real Estate Finance at Deutsche Pfandbriefbank, responsible for sourcing and

structuring commercial real estate loans across Europe. Prior to that, he held positions within the Real Estate Finance and CMBS space at Moody's, UBS and Morgan Stanley.

Sa'ad Malik joined Cheyne in 2016. Prior to joining Cheyne, he founded Rhino Investment Management LLP in 2011, an FCA-authorized boutique investment and advisory firm, active in the European commercial real estate market. Among his responsibilities were strategy, origination, client management, structuring and execution. He previously worked for Lehman Brothers International (Europe) in 2004, and Credit Suisse Securities (Europe) Limited in 2005 where he was Director in their European Real Estate Finance & Securitisation area, and had a central role in building the Titan Europe CMBS platform. Sa'ad started his career in 2000 with Commerzbank Securities in Asset Backed Finance.

Daniel Schuldes has over 10 years' experience in the European real estate debt and ABS markets. He joined Cheyne in 2007 and specialises in the origination, structuring, negotiation and execution of German real estate credit transactions. He was previously an associate on Credit Suisse's asset finance team in London, which was responsible for originating and structuring the bank's European securitisations. He focused on fundamental analysis of RMBS collateral.

Zoya Khortova is a Structured Credit Analyst working with the Real Estate team. Prior to joining Cheyne in July 2019, Zoya was a Structured Property Finance Consultant with Investec, where she managed workout and recovery of commercial real estate loan portfolios in the UK and Europe, led acquisition negotiations, and was involved in originations. Before this, she was with Credit Suisse as an Analyst and Associate working on the bank's CMBS platform, managing balance sheet exposure to commercial real estate, and restructuring non-performing loans. Zoya obtained her MBA from WHU Otto Beisheim School of Management after graduating with degrees in Housing & Urban Development and Architecture.

Anna Bulach is an Investment Analyst for the real estate team. Prior to Cheyne in 2014, Anna was an Asset Manager at Hatfield Philips International Ltd (LNR Property Group) where she specialised in the management of CMBS and balance sheet loans, as well as restructurings and workouts of distressed debt. She was also involved in the management of commercial real estate across all asset types. Before this, she was a Credit Analyst at GMAC Financial Services UK. Anna is fluent in German and assists in the origination and structuring of German real estate deals.

Rob Turner is an Investment Analyst for the Real Estate team. Rob began his career as an Auditor in Real Estate, Hospitality and Construction at Ernst & Young in 2003, moving into the Real Estate Finance team in 2005. In 2006 he moved to UBS Investment Bank where he was part of the Real Estate Investment Banking team. In 2007, he moved to Laxey Partners, a London based hedge fund, as an Investment Manager focusing primarily on the listed European real estate sector. While there he was responsible for managing Laxey's listed real estate fund, and also served on a number of investee company boards. Rob is a qualified chartered accountant (2006).

Lennart Weinhold is an Investment Analyst with the Real Estate Debt Team. Prior to joining Cheyne in June 2017, Lennart was an Associate with Sabal Financial Europe focusing on private equity real estate investments across Europe on behalf of Oaktree Capital Management. Before joining Sabal in 2014, he was Analyst with Auction.com, advising institutional investors on the online auctioning of German commercial and residential real estate. He started his career in London in 2011 with Deutsche Immobilien Asset Management as part of the workout team on one of the biggest European CMBS defaults in Europe.

Valeska Weber is a Loan Syndication and Financing Analyst with the Real Estate Debt team. Prior to joining Cheyne in June 2017, Valeska worked at Eastdil Secured for two years, where she raised debt and equity finance for clients, which involved running marketing processes and assisting sponsors and lenders in their underwriting. Valeska earned her BSc Hons in Banking and International Finance at CASS and in addition earned a MPhil in Real Estate Finance from the University of Cambridge.

David Renshaw is an Investment Analyst for the Real Estate Debt Team. Prior to joining Cheyne in 2016, David worked as JV Manager focused on German properties at Grainger PLC, the London-based residential investment firm. Before joining Grainger, he was Investment Manager in Frankfurt with Kintyre Investments, a real estate private equity firm. Prior to this, he was Senior Analyst in the European asset management team at Lloyds Banking Group.

Richard Howe is an Investment Analyst with the Real Estate Debt team. Prior to Cheyne in 2018, Richard spent 4.5 years at Chenavari Investment Managers as an Associate Director on their real estate desk and was responsible for strategy selection, deal sourcing, underwriting, execution and ongoing portfolio management. Prior to Chenavari Richard worked for both Lloyds Bank and Anglo Irish Bank. Richard graduated from the University of Sheffield in 2008 with a BSc in Economics.

Filippo Alessandria is an Investment Analyst with the Real Estate Debt team. Prior to Cheyne, Filippo was employed for over two years with Deutsche Pfandbriefbank, London as Associate Director – Origination, where he was responsible for structuring, negotiating and closing UK and European senior loans. Before this, Filippo was with Hatfield Philips/LNR Partners Europe for six years during which he spent, amongst other roles, 18 months working at Starwood Capital's European Real Estate Debt Fund covering European senior and mezzanine loans. Filippo earned his MSc Real Estate Finance & Investments from the University of Reading – Henley Business School in 2010.

Theo Hajoglou is a Housebuilding Specialist with the Real Estate Debt team. Prior to Cheyne, Theo was with Telford Homes PLC for six years, where his most recent role was Financial Planning and Analysis Manager. Responsibilities included preparation of group management accounts and cash flows, finance reporting for board meetings, scenario modeling and sensitivity analysis of the group's business plan, and production of land packs for potential site purchases. Before this, Theo was employed with Smith & Williamson (Nexia Group), both with their London and Australia offices, involved with auditing and financial modeling. Theo completed a Mst Real Estate at University of Cambridge in 2019, and a BSc (Hons) Business Economics from Brunel University in 2007. He is a qualified accountant and holds the ACA (ICAEW) charter.

Antoine Richard is a Real Estate Finance Vice President with the Real Estate team. Prior to Cheyne, Antoine was Vice President at RBC, London where he was responsible for the management of all functions related to a portfolio of loans across Europe. Before this he was with Marathon-MCAP Global Finance (UK) LLP as Senior Vice President, responsible for the acquisition/underwriting of European Commercial Real Estate. Antoine began his career in 2005 as an Analyst with CBRE Investors. He earned a Master's degree in Management from ESCP Europe and a Master's Degree in Political Science from the Institut d'Études Politiques de Lille, and is a member of the Royal Institution of Chartered Surveyors.

Charles Lefebvre is an Analyst with the Real Estate team. Prior to Cheyne, Charles was an Investment Analyst with AEW Europe, where he supported the acquisition team in the analysis of Core to Value-Add real estate opportunities. Before this, Charles held internships at LaSalle Investment Management, Berlin Hyp, and Generali Real Estate. Charles earned a Master's degree in Real Estate Management in 2016, and a Master's in Finance in 2014, both from Universite Paris Dauphine.

Isobel Dench is an Asset Manager for the real estate team. Prior to Cheyne in 2016, Isobel was employed by Lloyds Banking Group for two years, where she completed four rotations as a graduate trainee. The rotations included experience as an Analyst within securitized credit, commercial real estate, the Housing Growth Partnership and the Financial Institutions Funds team.

Harry Chapman is an Asset Manager with the Real Estate Debt team. Prior to Cheyne, Harry was employed with Jones Lang LaSalle, London for three years as an Analyst and Chartered Surveyor and was responsible for providing valuation, acquisition and disposal advice to private and institutional investors primarily in the office, retail, and residential development space. During the last seven months of his employment, he was seconded to Deutsche Asset Management, London where he worked with the transaction and asset management teams on underwriting direct real estate investments across all sectors in the UK. Harry earned his BSc (Hons) Property Finance and Investment from Nottingham Trent University in 2014 and qualified as a Chartered Surveyor in May 2017.

Evgenia Shirokova is an Asset Manager with the Real Estate team. Prior to Cheyne, Evgenia was an Investment Manager with FLINS Capital Partners GmbH in Munich Germany, where she was responsible for the underwriting of mezzanine and whole loan debt opportunities, as well as coordinating the due diligence process and managing the life of the investments. Before this, she was a Senior Associate with Hatfield Philips Deutschland GmbH, Frankfurt working with NPL acquisitions and loan asset management. Evgenia earned a LL.M. Master of Laws in Real Estate from University of Münster, Germany in 2016, a MSc in Accounting and Finance (2012), and a BSc in Business Administration (2010), both from University of Duisburg-Essen, Germany.

Lydia Boos is Legal Counsel for the Real Estate Debt team. Lydia began her professional career with Berwin Leighton Paisner LLP, qualifying as a solicitor into BLP's Real Estate Finance Team in 2010. In 2014, she was promoted to Senior Associate. During her time at BLP she was involved in Development and Mezzanine financing, Debt Restructuring, and Acquisition Finance and General Banking. Key responsibilities included drafting and negotiating finance documents and inter creditor arrangements, as well as supervising junior lawyers who were involved in the specific finance facility. Lydia completed one year of a German law degree in 2001 from Eberhard Karls Universität Tübingen, Germany while waiting to start her LLB. She completed her LLB Law in 2004 from the University of Westminster, London.

Julija Duseviciute is Assistant Business Manager of the real estate desk and joined in July 2017. Prior to Cheyne, Julija was employed by Nevastar Finance as Middle Office and Operations Analyst. Before Nevastar, she was an Operations Analyst with Bordier & Cie (UK), and an Account Manager with IFM Consultants in Dubai. Julija received her BSc (Hons) Mathematics from University of Nottingham in 2012.

Sophie Turner is Business Administrator for the Real Estate team specialising in Investor Communications. Prior to this Sophie worked at Cheyne in Investor Relations as Client Services Manager and Product Specialist for Convertible Bonds, and before that as Assistant Business Manager for the Real Estate team. Prior to joining Cheyne in 2008, she worked at the University of Exeter's Business School, co-ordinating executive education programmes for corporates such as 3i plc. Sophie earned her BSc Hons in Business Administration from Cardiff University.

Rebekah Seevathean joined Cheyne in 2015 and is a Portfolio Management Analyst. Prior to Cheyne, Rebekah undertook an Industrial Placement at UBS for one year while completing her degree. At UBS, she spent two consecutive 6-month rotations in the Market Risk and Credit Risk Analysis teams where part of her responsibilities included producing Stress/VaR reports and Counterparty Risk reports for senior management on a daily, weekly and monthly basis. Rebekah earned her BSc (Hons) Economics 1st Class Honors at University of Bath in 2015.

INVESTMENT MANAGEMENT AGREEMENT

Investment Manager's Fees and Expenses

The disclosures below set out the Management Fee and Performance Fee currently payable to the Investment Manager pursuant to the Investment Management Agreement.

Management Fee

The management fee payable by the Company to the Investment Manager in relation to the Ordinary Shares is 1.25 per cent. per annum (accruing monthly) of the Net Asset Value, other than to the extent that such value is comprised of any investment where the underlying asset portfolio is managed by the Investment Manager, and is calculated and payable monthly in arrears (the "**Management Fee**").

Performance Fee

The Investment Manager is also entitled to receive a performance fee from the Company for each Performance Period as set out below (the "**Performance Fee**").

For each Performance Period, the Performance Fee (if payable), will be calculated by reference to the following formula:

$$((A - B) \times 20\%) \times C$$

Where:

A = the Adjusted Performance NAV, as set out below.

B = the Net Asset Value per Ordinary Share as at the first Business Day of the Performance Period increased by a simple annual rate of return of 7 per cent. over the Performance Period or, if no Performance Fee was payable in the previous Performance Period, the Net Asset Value per Ordinary Share on the first Business Day of the Performance Period immediately following the last Performance Period in which a Performance Fee was paid (the "**Starting Date**") increased by a simple annual rate of return of 7 per cent. over the period since the Starting Date ("**Hurdle Assets**").

C = the time weighted average number of Ordinary Shares in issue in the period since the Starting Date.

For the purposes of calculating the Performance Fee, the following shall apply:

Performance Period

The Performance Fee shall be payable in respect of the following periods:

- (a) the period commencing on 1 October 2017 and ending on the earliest to occur of:
 - (i) the end date of the quarter in which the next Continuation Resolution is passed;
 - (ii) if that Continuation Resolution is not passed, the date on which the Company's last remaining non-cash (or non-cash equivalent) asset is realised; or
 - (iii) the date upon which the Investment Management Agreement (as amended) is terminated, (such period being the "**Current Performance Period**")⁴;
- (b) the period commencing on the calendar day immediately following the end of the Current Performance Period and completing on the earliest to occur of:
 - (i) the end date of the quarter in which the subsequent Continuation Resolution is passed;
 - (ii) if that Continuation Resolution is not passed, the date on which the Company's last remaining non-cash (or non-cash equivalent) asset is realised; or
 - (iii) the date upon which the Investment Management Agreement (as amended) is terminated, (such period being the "**Next Performance Period**")⁴; and
- (c) each period after the Next Performance Period calculated in the same manner as set out above (each such period, the Current Performance Period and the Next Performance Period, being a "**Performance Period**").

The initial Performance Period under the Investment Management Agreement ran from 12 November 2013 to 30 September 2017 (being the end of the quarter in which the first Continuation Resolution was passed, which was approved at the Company's annual general meeting on 11 September 2017). The performance fee for the initial Performance Period was determined at 30 September 2017 and paid shortly thereafter.

On 1 October 2017, the Company entered the Current Performance Period which is expected to run until the end date of the quarter in which the second continuation resolution, to be proposed at the AGM to be held in 2021, is passed. With the commencement of the Current Performance Period, the NAV on which the Hurdle Assets will be determined in accordance with the above formula was reset to the NAV per Ordinary Share on 2 October 2017 (being the Starting Date of the Current Performance Period), which was 163.29 pence per Ordinary Share.

Adjusted Performance NAV

The "**Adjusted Performance NAV**" shall mean the Net Asset Value per Ordinary Share as at the last Business Day of the Performance Period adjusted as follows (but only to the extent not already taken into account in computing the relevant Net Asset Value per Ordinary Share):

- (i) adding an amount equal to the gross amount per Ordinary Share of all dividends declared and paid in respect of that Performance Period in respect of such Ordinary Shares (and where such dividend is paid in a currency other than Sterling such dividend will be recognised at the mid spot exchange rate as at 11.00 a.m. on the last Business Day of that Performance Period);
- (ii) adding an amount equal to any accrued but unpaid distributions per Ordinary Share in respect of the Ordinary Shares;
- (iii) adding an amount equal to any accrued but unpaid Performance Fees;
- (iv) excluding the gross amount of any dividends declared or announced in respect of the previous Performance Periods for the Ordinary Shares; and

⁴ Following the passing of the first Continuation Resolution at the Company's annual general meeting held in September 2017, the initial Performance Period has ended with effect from 30 September 2017 (being the end date of the quarter in which such Continuation Resolution was passed) and the Second Performance Period has commenced.

- (v) reflecting any other adjustments the Directors, after having consulted with their advisers, consider to be appropriate.

Expenses under the Investment Management Agreement

Under the Investment Management Agreement, the Company will pay or reimburse the Investment Manager in respect of all expenses and costs reasonably incurred by it in performance of its duties under the Investment Management Agreement. These expenses include, but are not limited to, issuance and transaction costs incidental to the acquisition, disposition and financing of investments, legal and auditing fees and expenses, the compensation and expenses of the Directors, the costs associated with the establishment and maintenance of any credit facilities and other indebtedness of the Company (including commitment fees, legal fees, closing costs, etc.), all fees and expenses incurred in relation to the incorporation and initial organisation of the Company and the SPVs, expenses associated with other securities offerings of the Company, costs of legal, accounting, due diligence, tax, auditing, administrative and other similar services rendered for the Company by the Investment Manager or by the Investment Manager's employees (provided that, in the latter case, such costs are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's length basis), the costs of printing and mailing circulars and reports to the Company's Shareholders, costs incurred by employees of the Investment Manager for travel on the Company's behalf, costs associated with any computer software or hardware that is used by the Company, costs to obtain liability insurance to indemnify the Directors and officers of the Company and the Investment Manager and the compensation and expenses of the Company's transfer agent, depository, registrar and administrator. Subject thereto, the Investment Manager will be responsible for its own overhead expenses in connection with the performance of its duties under the Investment Management Agreement, including compensation of its employees and rent for office space occupied by it. Also, to the extent that the Investment Manager incurs expenses related to activities involving other investment vehicles managed by the Investment Manager in addition to the Company, the Investment Manager will assign only an appropriate and equitable portion of those expenses to the Company.

Termination under the Investment Management Agreement

Under the Investment Management Agreement, the Company may terminate the Investment Management Agreement at any time without cause by giving the Investment Manager not less than 12 months' prior notice in writing. In lieu of providing 12 months' notice, the Company may pay a termination fee equal to the Management Fees and the Performance Fee that the Investment Manager would have earned if the Investment Management Agreement had not been terminated prior to the end of the 12 month notice period (calculated based on the fees earned by the Investment Manager during the 12 month period preceding termination).

The Company may terminate the Investment Management Agreement for cause by giving the Investment Manager not less than 60 days' prior notice in writing, if the Investment Manager commits any material breach with respect to its obligations under the Investment Management Agreement and fails (in the case of a breach capable of rectification) to make good such breach within 30 days of receipt of written notice from the Company requiring it to do so. Such termination may not take effect until the Company has appointed a replacement investment manager.

The Company may terminate the Investment Management Agreement by giving notice to the Investment Manager, effective immediately, if the Investment Manager is dissolved or unable to pay its debts or commits any act of bankruptcy or if a receiver is appointed over all or a substantial portion of its assets or ceases to hold any licence, permission, authorisation or consent necessary for the performance of its duties under the Investment Management Agreement.

The Investment Manager may resign its appointment at any time without cause by giving the Company not less than three months' prior notice in writing, provided that such termination shall not take effect until the earlier of (i) the date on which the Company has appointed a replacement investment manager; and (ii) the date falling six months after the date on which the Investment Manager gave such notice.

The Investment Manager may resign its appointment by giving the Company not less than 60 days' prior notice in writing if the Company commits any material breach with respect to its obligations under the

agreement and fails to make good any breach within 30 days of receipt of written notice from the Investment Manager requiring it to do so.

The Investment Manager may resign its appointment by giving notice in writing to the Company, effective immediately, if the Company is dissolved or is unable to pay its debts or commits any act of bankruptcy or if a receiver is appointed over all or a substantial portion of its assets.

In the event that a Continuation Resolution is not passed and the Shareholders approve a proposal by the Directors to achieve the winding up of the Company (howsoever effected), then any notice of without cause termination or without cause resignation served by either the Company or the Investment Manager (as applicable) shall only become effective upon the conclusion of the winding up of the Company, unless prior written consent is obtained from the recipient of the notice.

Conflicts

The Investment Manager will allocate Real Estate Credit Investments and other investment opportunities that fall within the Company's investment policy between the Company and its other clients on the following basis. When it is determined that it would be appropriate for the Company and one or more other investment vehicles managed by the Investment Manager (including investment vehicles managed by the Investment Management Team) to participate in the same investment opportunity, the Investment Manager will seek to allocate participation levels in the opportunity on a *pro rata* basis (based on the latest available asset value approved by the relevant administrator or commitment amount, as applicable, of the relevant investment vehicles). The *pro rata* allocation will be subject to an adjustment, applied by the Investment Manager in its reasonable discretion, that takes into account, amongst other things, any restrictions on making such an investment arising from each relevant vehicle's investment policy or eligibility criteria, their relative amounts of capital available for new investments, their risk and return profile, the relative exposure to market trends and the size, liquidity, financeability and the anticipated term of the proposed investment. The Investment Manager shall make such adjustments in a manner that it considers is fair and reasonable to all clients and does not give material unfair preference to any single client or group of clients.

The Company may buy investments from or sell investments to other entities managed or controlled by the Investment Manager but any such transactions will be entered into only on an arm's length basis in accordance with Part 3 of the Authorised Closed-Ended Investment Scheme Rules 2008 and subject, where required under the Listing Rules, to independent Shareholder approval and/or delivery of a fairness opinion.

The Investment Manager may on occasion represent both the buyer and the seller of the security in a specific transaction. In such a case, the Investment Manager will obtain an independent valuation for the security to be traded to facilitate fair pricing of the transaction and the transaction will be executed in accordance with the Investment Manager's policy on cross trades.

The Company and/or any affiliated SPV may enter into transactions with the Investment Manager, provided that such transactions are conducted and entered into on an arm's length basis in accordance with the Authorised Closed-Ended Investment Schemes Rules 2008 and approved by the independent members of the Board and, where required under the Listing Rules, are subject to independent Shareholder approval and/or delivery of a fairness opinion.

The Investment Manager may work with third parties in seeking to source MBS where the Real Estate Credit Investment or other applicable investment in the new SPV established for the purpose of the transaction is suitable for the Company. The Investment Manager may receive fees from the originating bank or financial institution, any arranging banks or other parties advising on such MBS or from the relevant SPV itself in each case in respect of structuring advice in relation to the relevant SPV without having to account to the Company for such fees. Except where the Investment Manager is manager of the relevant asset or issuer, the Company (or any funding or asset holding vehicle) may acquire such assets without Shareholder approval (but subject to the prior approval of the independent members of the Board of Directors having been obtained). Where the Investment Manager is manager of the relevant asset or issuer, the acquisition of such assets will be the subject of independent Shareholder approval and/or delivery of a fairness opinion where required by the Listing Rules.

As noted under the section entitled "*Management Fee*" above, no Management Fee will be payable in respect of the Company's investment in any SPV where the underlying asset portfolio is managed by the

Investment Manager. Income from such investments, however, will be included in the net income of the Company for the purpose of calculating the Performance Fee payable to the Investment Manager by the Company.

The Administrator

The Company entered into the Administration Agreement with Citco Fund Services (Guernsey) Limited (the “**Administrator**”) on 28 February 2019 (as amended from time to time) under which the Administrator provides administrative services for the Company. A summary of the Administration Agreement is set out in paragraph 9 of Part VIII of this Prospectus. The Administrator was incorporated as a limited company in Guernsey on 27 April 2007.

The Administrator is regulated by the Guernsey Financial Services Commission.

The Company Secretary

The Company entered into the Company Secretary Agreement with Aztec Financial Services (Guernsey) Limited (the “**Company Secretary**”) on 13 February 2019 (as amended from time to time) under which the Company Secretary provides company secretarial services for the Company. A summary of the Company Secretary Agreement is set out in paragraph 9 of Part VIII of this Prospectus. The Administrator was incorporated as a limited company in Guernsey on 28 February 2006.

The Depositary

The Company is party to a Depositary Agreement with The Bank of New York Mellon (International) Limited, dated 27 February 2019.

The Depositary's duties include, amongst others, the monitoring of cash flows, the custody of financial instruments, the verification of the ownership of the Company's assets (excluding financial assets that are or can be held in custody) and certain oversight functions in relation to the Company and the Investment Manager.

For provision of the depositary services, the Depositary receives an annual fee of £20,000.

A summary of the Depositary Agreement is set out in paragraph 9 of Part VIII of this Prospectus.

The Depositary is authorised by the UK Prudential Regulation Authority and regulated by the FCA.

The Registrar

The Company is party to a Registrar Agreement with Link Market Services (Guernsey) Limited dated 1 April 2018, pursuant to which the Registrar provides registration services to the Company which entail, among other things, the Registrar having responsibility for the transfer of shares, maintenance of the share register and acting as transfer and paying agent.

For provision of the registrar services, the Registrar is entitled to receive a fixed fee of £27,900 per annum for up to 1,000 Shareholders on the Register and up to 25,500 transfers. In addition to this fixed fee, the Registrar is entitled to receive additional fees for specific actions.

The Registrar has appointed Link Market Services Limited (the “**UK Transfer Agent**”) to provide transfer agent services to the Company, for which it will receive a fee payable by the Registrar. The Registrar will remain liable to the Company for the activities of the UK Transfer Agent.

The Auditor

The Company's auditor is Deloitte LLP, whose address in Guernsey is PO Box 137, Regency Court, Glatigny Esplanade, St Peter Port, Guernsey GY1 3HW.

The Auditor's responsibility is to audit and express an opinion on the financial statements of the Company in accordance with applicable law and auditing standards.

The Auditor's remuneration is determined by the Directors of the Company and for the year ended 31 March 2019 amounted to £82,000 in respect of the annual audit and £28,000 in respect of the interim financial statements.

Fees and expenses

The fees and expenses of the Company will be deducted from the assets of the Company and, although they may vary, are estimated to be in the region of £1.75 million per annum, excluding the fees payable to the Investment Manager and any non-recurring or extraordinary expenses, based on the current size of the Company. Certain expenses, such as the fees under the Administration Agreement which are detailed further in paragraph 9 of Part VIII of this Prospectus, are variable, and so the fees and expenses of the Company are likely to increase as the Net Asset Value increases.

Given that many of the above fees, charges and expenses are either irregular or calculated using formulae that contain variable components, the maximum amount of fees, charges and expenses that Shareholders will bear in relation to their investment cannot be disclosed in advance.

PART IV

TAX CONSIDERATIONS

GENERAL

The information below, which relates only to Guernsey and United Kingdom taxation, summarises the advice received by the Board 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 in Guernsey or the United Kingdom for taxation purposes and who hold Shares as an investment. It is based on current Guernsey and United Kingdom tax law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Shares in connection with their employment may be taxed differently and are not considered. The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.

If you are in any doubt about your tax position, you should consult your professional adviser.

Guernsey

(i) **The Company**

The Company has applied for and has been granted exempt company status for Guernsey tax purposes. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £1,200, provided that it continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for the exemption.

As an exempt company, the Company will be treated as not being resident in Guernsey for Guernsey tax purposes. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising or accruing in Guernsey, other than bank deposit interest. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any additional liability to Guernsey tax.

In the absence of exempt status, the Company would be treated as resident in Guernsey for Guernsey tax purposes and would be subject to the standard company rate of tax, currently zero per cent.

Guernsey currently does not levy taxes upon capital inheritances, capital gains gifts, sales or turnover, 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).

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

(ii) **Shareholders**

In the case of Shareholders who are not resident in Guernsey (which includes Alderney and Herm) for tax purposes (and do not have a permanent establishment in Guernsey), the Company's distributions, whether paid as cash or as scrip dividend, can be paid to such Shareholders without deduction of Guernsey tax nor will the Company be required to withhold Guernsey tax on such distributions.

Shareholders who are resident for tax purposes in Guernsey, or who are not so resident but have a permanent establishment in Guernsey to which the holding of their Shares is related 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 paid by the Company where the Company is granted exempt status. The Company is required to provide the Director of the Revenue Service in Guernsey such particulars relating to any distribution paid to Shareholders who are resident in Guernsey or who have a permanent establishment in Guernsey as the Director of the Revenue Service may require, including the names and addresses of such Shareholders, the gross amount of any distribution paid and the date of the payment. Such Shareholders should note that where income is not distributed

but is accumulated, then a tax charge will not arise until the holding is disposed of. On disposal the element of the proceeds relating to the accumulated income will have to be determined.

The Director of the Revenue Service 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.

Shareholders are not subject to tax in Guernsey as a result of purchasing, owning or disposing of shares or either participating or choosing not to participate in a redemption of shares. There will be no Guernsey tax on the conversion of shares of one class into shares of another class.

(iii) **US-Guernsey IGA**

On 13 December 2013 the Chief Minister of Guernsey signed the US-Guernsey IGA regarding the implementation of FATCA. Under the Guernsey IGA Legislation, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural persons who are, residents or citizens of the United States, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that will need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. The Company will be required to report this information each year in the prescribed format and manner as per local guidance.

Under the terms of the US-Guernsey IGA, Guernsey resident financial institutions that comply with the due diligence and reporting requirements of Guernsey's domestic legislation will be treated as compliant with FATCA and, as a result, should not be subject to FATCA withholding on payments they receive and should not be required to withhold under FATCA on payments they make. If the Company does not comply with these obligations, it may be subject to a FATCA deduction on certain payments to it of US source income (including interest and dividends) and (from 1 January 2019) proceeds from the sale of property that could give rise to US source interest or dividends and (from the later of 1 January 2019 or the date of publication of certain final regulations defining "foreign passthru payments") a portion of non-US source payments from certain non-US financial institutions to the extent attributable to US source payments. The US-Guernsey IGA is implemented through the Guernsey IGA Legislation in accordance with guidance that is published in draft form.

Under the US-Guernsey IGA, securities that are "regularly traded" on an established securities market, such as the Main Market, are not considered financial accounts and are not subject to reporting. For these purposes, New Ordinary Shares will be considered "regularly traded" if there is a meaningful volume of trading with respect to the New Ordinary Shares on an ongoing basis. Notwithstanding the foregoing, a New Ordinary Share will not be considered "regularly traded" and will be considered a financial account if the Shareholder is not a financial institution acting as an intermediary. Such Shareholders will be required to provide information to the Company to allow it to satisfy its obligations under FATCA, although it is expected that whilst and to the extent that the New Ordinary Shares are within CREST the holder of the Shares will likely be a financial institution acting as an intermediary. Shareholders that own Shares through a financial intermediary may be required to provide information to such financial intermediary in order to allow the financial intermediary to satisfy its obligations under FATCA.

(iv) **Common Reporting Standard**

On 13 February 2014, the Organisation for Economic Co-operation and Development released the CRS designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. On 29 October 2014, fifty-one jurisdictions signed the multilateral competent authority agreement ("Multilateral Agreement") that activates this automatic exchange of FATCA-like information in line with the CRS. Since then further jurisdictions have signed the Multilateral Agreement and in total over 100 jurisdictions have committed to adopting the CRS. Many of these jurisdictions, including the UK and Guernsey, have now adopted the CRS. Guernsey adopted the CRS with effect from 1 January 2016.

Under the CRS and the Guernsey CRS Legislation, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural

persons who are, residents of any of the jurisdictions that have also adopted the CRS, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that would need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. The Company will be required to report this information each year in the prescribed format and manner as per local guidance. The CRS is implemented through the Guernsey CRS Legislation in accordance with guidance that is supplemented by guidance issued by the Organisation for Economic Co-operation and Development.

Under the CRS, there is currently no reporting exemption for securities that are “regularly traded” on an established securities market, although it is expected that whilst and to the extent that the New Ordinary Shares are within CREST the holder of the Shares will likely be a financial institution acting as an intermediary. Shareholders that own Shares through a financial intermediary may be required to provide information to such financial intermediary in order to allow the financial intermediary to satisfy its obligations under the CRS.

If the Company fails to comply with any due diligence and/or reporting requirements under the Guernsey IGA Legislation or the Guernsey CRS Legislation then the Company could be subject to (in the case of the Guernsey IGA Legislation) US withholding tax on certain US source payments, and (in all cases) the imposition of financial penalties. Whilst the Company will seek to satisfy its obligations under the Guernsey IGA Legislation and the Guernsey CRS Legislation to avoid the imposition of any financial penalties under Guernsey law, the ability of the Company to satisfy such obligations will depend on receiving relevant information and/or documentation about each Shareholder and the direct and indirect beneficial owners of the Shareholders (if any). There can be no assurance that the Company will be able to satisfy such obligations.

Potential investors should consult their own tax advisers regarding all of the reporting requirements referred to above. Failure by a Shareholder to provide any such information that is requested by the Company to aid compliance with any of the above reporting requirements could result in adverse consequences applying to such Shareholder, and the Shareholder may be required to sell their Shares.

United Kingdom

(i) The Company

The Directors have been advised that pursuant to the United Kingdom tax rules contained in section 363A of the Taxation (International and other Provisions) Act 2010 (“**TIOPA**”) the Company 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), the Company will not be subject to United Kingdom income tax or corporation tax other than on any United Kingdom source income and on certain disposals of UK real estate or shares in entities which derive at least 75 per cent. of their value from UK real estate (in which case special rules apply).

(ii) Shareholders

UK Offshore Fund Rules

The Directors have been advised that, under current law, the Ordinary Shares in the Company should not be an “offshore fund” for the purposes of United Kingdom taxation and that the provisions of Part 8 of the TIOPA (other than section 363A referred to above), should not apply.

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

Tax on Chargeable Gains

A disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for United Kingdom tax purposes or who is not so resident but carries on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Ordinary Shares is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief. For such individual Shareholders capital gains tax at the rate of tax at 10 per cent. (for basic rate taxpayers) or 20 per cent. (for higher or additional rate taxpayers) will be payable on any gain for tax year 2019-20 and for Shareholders that are bodies corporate resident within the United Kingdom any gain will be within the charge to corporation tax. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which presently exempts the first £12,000 of gains from tax for tax year 2019-20) depending on their circumstances.

Dividends

Individuals

UK resident individual investors do not have to pay tax on the first £2,000 of dividend income (the "dividend allowance"). However tax will be levied on any dividends received over the dividend allowance at 7.5 per cent. on dividend income within the basic rate band, 32.5 per cent. on dividend income within the higher rate band and 38.1 per cent. on dividend income within the additional rate band.

Companies

Shareholders within the charge to United Kingdom corporation tax may be liable for United Kingdom corporation tax (the main rate of United Kingdom corporation tax is currently 19 per cent.) on the receipt of a dividend. There are, however, certain exemptions from corporation tax on dividends received by United Kingdom resident companies, which may exempt such Shareholders from United Kingdom taxation on dividends paid by the Company, depending on their circumstances and subject to certain conditions being satisfied.

Stamp duty and Stamp Duty Reserve Tax

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

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

ISAs and SSAS/SIPPs

New Ordinary Shares acquired pursuant to the Placing Programme will not be eligible for inclusion in a stocks and shares individual savings account ("**ISA**"). Once admitted to the Main Market, Ordinary Shares acquired by purchase in the market should be eligible for inclusion in a stocks and shares ISA, subject to applicable subscription limits.

The annual ISA investment allowance is £20,000 for the tax year 2019/20. The amount of the allowance can be split between a cash ISA, a stocks and shares ISA or an innovative finance ISA and (if eligible) a lifetime ISA (limited to £4,000 only).

The Ordinary Shares should be eligible for inclusion in a pension scheme which is a small self-administered scheme ("**SSAS**") or a self-administered personal pension ("**SIPP**"), subject to the discretion of the trustees of the SSAS or SIPP, as the case may be.

(iii) **Other United Kingdom Tax Considerations:**

Controlled Foreign Companies (CFCs)

United Kingdom resident companies having an interest in the Company, such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, may be liable

to United Kingdom corporation tax in respect of their share of the Company's "chargeable profits" in accordance with the provisions of Part 9A of TIOPA relating to controlled foreign companies. These provisions only apply if the company is controlled by United Kingdom residents (where "control" is as understood by the relevant legislation).

Transfer of Assets Abroad

Individuals resident in the United Kingdom should note that Chapter 2 of Part 13 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

Attribution of Gains of Non-resident Company

The attention of Shareholders resident in the United Kingdom is drawn to the provisions of sections 3-3G of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by a non UK-resident company can be attributed to a Shareholder to whom more than a quarter of any gain made by the company would be attributable. This applies if the non-UK resident company would be a close company were the company to be resident in the United Kingdom for taxation purposes.

Transactions in Securities

The attention of Shareholders is drawn to anti-avoidance legislation in Chapter 1 of Part 13 of the Income Tax Act 2007 and Part 15 of the Corporation Tax Act 2010 that could apply if Shareholders are seeking to obtain tax advantages in prescribed circumstances.

PART V

FINANCIAL INFORMATION

1. Statutory accounts for the financial year ended 31 March 2019

- 1.1 Statutory accounts for the Company prepared in accordance with International Financial Reporting Standards for the financial year ended 31 March 2019 in respect of which the Company's auditors, Deloitte LLP, of Regency Court, Gategny Esplanade, St Peter Port, Guernsey GY1 3HW, made unqualified reports, have been delivered to the Guernsey Financial Services Commission.
- 1.2 During the financial year ended 31 March 2019, the Company announced, on 21 September 2018, that it raised gross proceeds of £23.2 million through the issue of 13,938,298 new Ordinary Shares at 167 pence per Ordinary Share.
- 1.3 Save to the extent disclosed below, as at the date of this Prospectus, there has been no significant change in the financial position of the Group which has occurred since 30 September 2019, being the end of the last financial period for which interim financial information has been published. Since 30 September 2019, the following events have taken place:
- 1.3.1 on 1 October 2019, the Company announced that it raised gross proceeds of £17 million through the issue of 10,208,480 new Ordinary Shares at a placing price of 167 pence per share, made pursuant to the 2018 Placing Programme;
- 1.3.2 a second interim dividend of 3.0 pence per Ordinary Share was approved by the Directors on 29 November 2019 for the year ending 31 March 2020, which was paid on 3 January 2020; and
- 1.3.3 on 4 February 2020, the Company announced that it had raised gross proceeds of £33.5 million through the issue of 19,920,363 new Ordinary Shares at a placing price of 168 pence per share, made pursuant to the Company's general authority to allot and issue equity securities on a non-pre-emptive basis pursuant to the authority granted to the Directors by an extraordinary resolution of the Shareholders passed at the Company's annual general meeting held on 17 September 2019.
- 1.4 The auditors' report and financial statements of the Company for the financial year ended 31 March 2019 were unqualified.

2. Published annual reports and accounts for the Reporting Period

2.1 Historical financial information

The published annual reports, audited accounts, and half-yearly unaudited interim accounts of the Company for the Reporting Period (which have been incorporated in this Prospectus by reference) included, on the pages specified in the table below, the following information:

	<i>For the year ended 31 March 2019 Page No(s)</i>	<i>For the six months ended 30 September 2019 Page No(s)</i>
Statement of Comprehensive Income	42	13
Statement of Financial Position	43	14
Statement of Changes in Equity	44	15
Statement of Cash Flows	45	16
Notes to the Financial Statements	46-70	17-28
Significant Accounting Policies	46-52	17-18
Independent Auditor's Report	34-41	N/A

2.2 Selected financial information

The key figures that summarise the financial condition of the Company in respect of the Reporting Period which have been extracted without material adjustment from the historical financial information

referred to in paragraph 2.1 of this Part V of the Prospectus (unless otherwise indicated in the notes below the following table), are set out in the following table:

	<i>For the year ended 31 March 2019 £</i>	<i>For the six months ended 30 September 2019 £</i>
Interest Income	22,314,473	12,455,820
Net gains/losses on financial assets and liabilities at fair value through profit or loss	2,955,459	2,624,485
Operating Expenses	(4,833,548)	(2,752,368)
Finance Costs	(1,203,559)	(763,080)
Net Profit/(Loss)	19,232,825	11,565,857
	<i>As at 31 March 2019</i>	<i>As at 30 September 2019</i>
Total Assets	355,150,063	394,041,791
Total Liabilities	101,951,774	64,634,357

2.3 **Operating and financial review**

The published annual reports, audited accounts, and half-yearly unaudited interim accounts of the Company for the Reporting Period (which have been incorporated in this Prospectus by reference) included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for each of those periods.

	<i>For the year ended 31 March 2019 Page No(s)</i>	<i>For the six months ended 30 September 2019 Page No(s)</i>
Chairman's statement	6-7	4
Investment Manager's Report	14-18	6-10

3. **Availability of annual report, audited accounts and half-yearly unaudited interim accounts for inspection**

Copies of the published annual reports, audited accounts, and half-yearly unaudited interim financial accounts of the Company for the financial period since its incorporation on 5 December 2005 to 31 March 2006 and for each of the subsequent financial years are available for inspection at the addresses set out in paragraph 21 of Part VIII of this Prospectus. Copies of these annual reports, audited accounts, and unaudited interim financial accounts are also available on the Company's website, www.recreditinvest.com/financialstatements.

The sections of the annual reports and interim financial accounts deemed relevant to investors for the purposes of this Prospectus have been incorporated by reference in paragraph 2 of this Part V of this Prospectus. The sections which have not been incorporated are not deemed relevant to investors for the purposes of this Prospectus.

4. **Related party transactions**

The Company has entered into the following related party transactions (as defined in International Accounting Standard 24) in the period since 1 April 2014 to the date of this Prospectus: the Company has made, and will continue to make, certain loan investments through a Luxembourg based entity Stornoway Finance SARL via loan note instruments. This entity has separate compartments for each loan deal. Other funds also managed by the Investment Manager invest *pari passu* in these compartments. Any loans not co-invested on a *pari passu* basis will be noted by the Company in its annual report and accounts.

PART VI

THE PLACING PROGRAMME

The New Ordinary Shares are only suitable for existing and potential investors who understand the potential risk of capital loss associated with an investment in the Company and that there may be limited liquidity in the underlying investments of the Company, for whom an investment in the New Ordinary Shares is part of a diversified investment programme and who fully understand and are willing to assume the risks involved in such an investment programme.

Solely for the purposes of the MiFID II Product Governance Requirements, and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any manufacturer (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “Target Market Assessment”).

Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing Programme. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Placing Agent will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

INTRODUCTION

The Company intends to issue up to 150 million New Ordinary Shares pursuant to the Placing Programme, subject to the Company being able to source suitable investments in accordance with its Investment Objective and Policy. The maximum number of New Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of New Ordinary Shares to be finally issued.

The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue the New Ordinary Shares over a period of time. The Placing Programme is intended to partially satisfy market demand for the Ordinary Shares and to raise further money for investment in accordance with the Investment Objective and Policy.

The Company, the Directors, the Investment Manager and Liberum have entered into the Placing Agreement pursuant to which Liberum has conditionally agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the New Ordinary Shares under the Placing Programme at the Placing Price in return for the payment by the Company of a corporate finance fee and placing commissions.

A summary of the terms of the Placing Agreement is set out in paragraph 9 of Part VIII of this Prospectus.

Applications under the Placing Programme must be for a minimum subscription amount of £10,000.

BACKGROUND AND BENEFITS TO THE PLACING PROGRAMME

The Investment Manager believes that there is continued dislocation and inefficiency in the European commercial real estate debt markets. The availability of traditional senior debt financing remains constrained as banks work through legacy loan books, reduce loan to deposit ratios and increase their capital buffers (particularly in light of capital adequacy requirements), providing an attractive opportunity for non-bank lenders, with the necessary expertise, infrastructure and capital, to capture the shortfall. In addition, the Investment Manager believes that the real estate market, which provided increasing amounts of capital in the last cycle, remains dislocated.

As market dislocations correct over time, value shifts between the loan and bond markets, and across the capital structure. These dislocations provide an attractive opportunity for companies, such as the Company, which has the ability to invest in both the loan and bond markets, to maximise returns for investors by being nimble in allocating its capital according to market value shifts.

In the current market, the Investment Manager believes that the most compelling opportunities lie in:

- senior loans secured by transitional assets across Europe, where significant re-pricing of real estate assets provides an opportunity to originate at a more defensive risk position, lending at conservative leverage advances for improved economics; and
- senior and mezzanine bonds secured by “core assets” and “core-plus assets” across Europe.

(For the above purposes “core assets” means assets that benefit from having long term income; and “core-plus assets” means assets that benefit from having strong current income, but do require some measure of asset management to optimise their income profile and term.)

The Board, as advised by the Investment Manager, continues to be positive about the investment opportunities available within real estate credit markets. It is the Investment Manager’s view that, whilst economic and Brexit related uncertainty exists, the UK and Western European real estate markets (and, in particular, those in France and Germany) continue to offer an attractive combination of underlying tenant demand, relatively liquid investment markets and a shortage of debt capital.

Given this backdrop, and in light of the positive prospects for further investments by the Company in the short to medium term, the Directors believe that implementing the Placing Programme is in the best interests of the Company and the Shareholders as a whole and should lead to:

- an attractive level of returns from new investments;
- a reduction in the total expense ratio, by spreading the Company’s fixed running costs over a larger Ordinary Shareholder base; and
- an improved free float and introduction of new investors, which may enhance liquidity in the Ordinary Shares.

The Net Placing Proceeds will be deployed in new real estate credit investment opportunities which the Directors believe will provide a more expansive and diversified Investment Portfolio.

The Investment Manager continuously assesses market conditions and investment opportunities and the implementation of the Placing Programme will allow the Company to undertake fundraisings in an expeditious and straightforward manner to take advantage of investments as they arise.

USE OF PROCEEDS OF THE PLACING PROGRAMME

If the Required Resolution is passed, the Company intends to use the Net Placing Proceeds to invest in Real Estate Credit Investments in accordance with the Investment Objective and Policy.

The Directors believe, having been so advised by the Investment Manager, that the primary advantage of raising capital pursuant to the Placing Programme will be the opportunity for further investment in the Western European real estate credit markets, particularly in real estate debt secured against commercial and residential real estate assets in the UK and Western Europe.

Pending investment of the Net Placing Proceeds in accordance with the Investment Objective and Policy, the Company may invest the net proceeds of any Placing in short term money market funds. The Company does not intend to apply leverage to these temporary investments.

THE PLACING PROGRAMME

The Company intends to issue up to 150 million New Ordinary Shares pursuant to the Placing Programme, which will open on 21 February 2020 and close on 20 February 2021 (or on any earlier date on which it is fully subscribed or the Directors so determine).

Allotment and issue of New Ordinary Shares under the Placing Programme is at the discretion of the Directors. Allotments and issuance may take place at any time prior to the final closing date of the Placing Programme. An announcement of each allotment and issue will be released through an RIS, including details of the number of New Ordinary Shares allotted and issued and the applicable Placing Price. It is anticipated that dealings in the New Ordinary Shares will commence two Business Days after the trade date for each issue of New Ordinary Shares. Whilst it is expected that all New Ordinary Shares issued pursuant to a particular Placing will be issued in uncertificated form, the Company reserves the right to issue New Ordinary Shares in certificated form to any Shareholder at its sole discretion and if any New Ordinary Shares are issued in certificated form it is expected that share certificates would be despatched approximately two weeks after the relevant Admission. No temporary documents of title will be issued.

The minimum gross proceeds in respect of each Placing will be agreed by the Company and Liberum (and, if appointed, any additional bookrunner), in consultation with the Investment Manager. The minimum subscription in respect of each Placing will be £10,000. There is no maximum subscription, unless notified to investors.

The Placing Programme is not being underwritten and, as at the date of this Prospectus, the actual number of New Ordinary Shares to be issued under the Placing Programme is not known. The number of New Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of New Ordinary Shares to be finally issued.

The Placing Programme is not being made on a pre-emptive basis, therefore Existing Ordinary Shareholders who do not participate in the Placing Programme will have their percentage holding diluted following each issue of New Ordinary Shares. Assuming that the maximum number of New Ordinary Shares are issued under the Placing Programme (being 150 million), this would result in a dilution of approximately 39.5 per cent. in Existing Ordinary Shareholders' voting control of the Company.

The New Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save that the New Ordinary Shares will not be entitled to receive any dividends or other distributions declared, made or paid in respect of Ordinary Shares by reference to a record date prior to the allotment and issue of the relevant New Ordinary Shares).

The Placing Programme will be suspended at any time when the Company is unable to issue New Ordinary Shares pursuant to any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion. The Placing Programme may resume when such conditions cease to exist, subject always to the final closing date of the Placing Programme being 20 February 2021.

Placees procured by the Placing Agent

Each Placee which confirms its agreement (whether orally or in writing) to the Placing Agent to subscribe for New Ordinary Shares under the Placing Programme will be bound by the Placing Programme Terms and Conditions set out in Part VII of this Prospectus. All applications for New Ordinary Shares will be effected through a contract note. Each Placee is required to indicate their acceptance of the Placing Programme Terms and Conditions in making their investment.

Conditions

The Placing Programme is conditional upon the Existing Ordinary Shareholders passing the Required Resolution at the EGM.

In addition, each allotment and issue of New Ordinary Shares pursuant to the Placing Programme is conditional, among other things, on:

- Admission of the New Ordinary Shares issued pursuant to such allotment and issue; and
- the Placing Agreement not being terminated in accordance with its terms or a particular Placing not being terminated in accordance with the terms of the Placing Agreement.

In circumstances where these conditions are not fully satisfied, the relevant issue of New Ordinary Shares pursuant to the Placing Programme will not take place. If a Placing does not proceed, subscription monies received in relation to such Placing will be returned without interest at the risk of the applicant.

The Placing Programme Terms and Conditions which apply to Placees for New Ordinary Shares under the Placing Programme are set out in Part VII of this Prospectus.

Placing Price

The Placing Price in relation to each Placing will be announced by the Company via an RIS announcement.

Subject to the requirements of the Listing Rules, the price at which each New Ordinary Share will be issued pursuant to each Placing will be no less than the aggregate of the published Net Asset Value per Ordinary Share at the time of issue (after deducting any dividend per Ordinary Share in relation to which the New Ordinary Shares to be issued pursuant to the relevant Placing will not participate and that was declared subsequent to the date at which the relevant Net Asset Value per Ordinary Share was calculated) and such sum as equates to the costs, expenses and commissions attributable to such Placing and may, in the Directors' sole discretion, include a premium.

Payment

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

Fractions of New Ordinary Shares will not be issued and the Placing consideration will be allocated accordingly.

The Main Market

The Main Market is an EU regulated market and the Ordinary Shares are currently admitted to trading on the premium segment of the Main Market. Consequently, the Company is subject to the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules and Regulation (EU) No 596/2014 (the "**Market Abuse Regulation**"). The Company is also subject to the on-going requirements of the Listing Rules.

Scaling back and allocation

In the event that aggregate applications for New Ordinary Shares under a Placing 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 the Placing, it would be necessary to scale back applications under the Placing. Liberum (and, if appointed, any additional bookrunner) reserves the right, after consultation with the Company and the Investment Manager, to scale back applications in such amounts as it considers appropriate. The Company reserves the right to decline in whole or in part any application for New Ordinary Shares pursuant to a Placing under the Placing Programme.

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 will be announced by the Company as soon as practicable after the close of the Placing via an RIS announcement.

Subscription monies received in respect of unsuccessful applications (or to the extent scaled back) will be returned without interest and 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 UK and Guernsey, the Company (and its agents) 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.

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 the closing of the Placing Programme, 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 Liberum (and, if appointed, any additional bookrunner)) may in their absolute discretion waive the minimum application amounts in respect of any particular application for New Ordinary Shares under the Placing.

Should the 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 approximately two weeks following the relevant Admission. Temporary documents of title will not be issued.

Clearing and settlement

Payment for the New Ordinary Shares issued pursuant to the Placing Programme should be made in accordance with settlement instructions to be provided to Placees by (or on behalf of) the Company or the Placing Agent. To the extent that any application for New Ordinary Shares is rejected in whole or in part (whether by scaling back or otherwise), monies received will be returned without interest at the risk of the applicant.

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 the Placing Programme, 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 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 to be instructed 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 to the share register of the Company.

The transfer of Ordinary Shares outside of the CREST system following the 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 an Ordinary Shareholder or transferee requests Ordinary Shares to be issued in certificated form and is holding such Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Ordinary Shares. Ordinary Shareholders (other than US Persons) holding definitive certificates may elect at a later date to hold such Shares through CREST or in uncertificated form provided they surrender their definitive certificates. The Company reserves the right to require that any Ordinary Shares acquired by persons in the United States

or US Persons be issued in registered and certificated form, and that such Ordinary Shares may not be transferred into CREST or any other paperless system without the prior approval of the Company, and in such case the Company reserves the right to grant such approval only if such person seeks to transfer the Ordinary Shares and (if requested) delivers to the Company a written certification in form and substance satisfactory to the Company.

Dealings

Applications will be made to the FCA and the London Stock Exchange for the New Ordinary Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to trading on the premium segment of the Main Market. It is expected that each Admission will become effective and dealings in the New Ordinary Shares on the Main Market will commence between 10 March 2020 and 20 February 2021. The Placing Programme and, therefore, Admission are conditional upon the Existing Ordinary Shareholders voting in favour of the Required Resolution at the Extraordinary General Meeting.

The ISIN number for the Ordinary Shares is GB00B0HW5366 and the SEDOL code is B0HW536.

The Company does not guarantee that at any particular time any 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 Net Asset Value per Ordinary Share.

Supply and Disclosure of Information

If the Placing Agent, the Registrar or the Company or any of their agents request any information in connection with a Placee's agreement 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.

Data Protection

The Company, the Placing Agent, the Registrar and/or the Administrator 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, without limitation, (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; (c) verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures; (d) carrying out the business of the Company and the administering of interests in the Company; and (e) meeting the legal, regulatory, reporting and/or financial obligations of the Company in Guernsey, the UK or elsewhere.

In order to meet the purposes set out above, it will be necessary for the Company to disclose personal data to:

- other functionaries of, or advisers to, the Company (who have been notified under or otherwise in accordance with the Company's privacy notice) to operate and/or administer the Company; and
- third party service providers, agents or functionaries located either within or outside of the EEA which are appointed by the Company or its agents to provide services.

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, Australia, Canada, Japan, South Africa and the United States. If the Company (or any third party, functionary or agent appointed by the Company) and/or the Administrator discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will ensure that adequate safeguards are in place for the protection of such personal data, details of which shall be set out in the relevant privacy notice or otherwise notified from time to time.

Any personal data will be held and processed by the Company (and any third party to whom it may delegate certain administrative functions in relation to the Company) and/or the Administrator in compliance with: (1) all applicable data protection legislation and regulatory requirements; and (2) the Company's (and, if applicable, the Administrator's and any other third party delegate's) privacy notice, a copy of which is available for consultation on the Company's website at <http://www.recreditinvest.com>.

The foregoing processing of personal data is required in order to perform the contract with the prospective investor, to perform legal obligations incumbent upon it or otherwise is required for the legitimate interests of the Company. A data subject may in certain circumstances object to the processing of its personal data and such rights and the manner in which they can be exercised are set out in the Company's privacy notice.

Prospective investors are responsible for informing any third party individual to whom the personal data relates to the disclosure and use of such data in accordance with these provisions and the prospective investors shall provide a copy of all relevant privacy notices as appropriate that have been provided to it.

Legal implications of the contractual relationship entered into for the purpose of investment

The Company is a non-cellular company limited by shares and incorporated under the laws of Guernsey and has been declared by the Guernsey Financial Services Commission to be an authorised closed-ended investment scheme. While investors acquire an interest in the Company on subscribing for or purchasing Shares, the Company is the sole legal and/or beneficial owner of its investments. Consequently, Shareholders have no direct legal or beneficial interest in those investments. The liability of Shareholders for the debts and other obligations of the Company is limited to the amount unpaid, if any, on the Shares held by them.

Shareholders' rights in respect of their investment in the Company are governed by the Companies (Guernsey) Law, 2008, as amended from time to time. Under Guernsey law, the following types of claim may in certain circumstances be brought against a company by its shareholders: contractual claims under its articles of incorporation; claims in misrepresentation in respect of statements made in its prospectus and other marketing documents; unfair prejudice claims; and derivative actions. In the event that a shareholder considers that it may have a claim against the Company in connection with such investment in the Company, such Shareholder should consult its own legal advisers.

Jurisdiction and applicable law

As noted above, Shareholders' rights are governed principally by the Articles of Incorporation and the Companies (Guernsey) Law, 2008 (as amended). By subscribing for Shares, investors agree to be bound by the Articles of Incorporation which is governed by, and construed in accordance with, the laws of Guernsey.

Recognition and enforcement of foreign judgments

A final and conclusive judgment under which a sum of money is payable (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or penalty) obtained in the superior courts in the reciprocating countries set out in the Judgments (Reciprocal Enforcement) (Guernsey) Law 1957 (the "**1957 Law**") (which includes the Supreme Court and the Senior Courts of England and Wales, excluding the Crown Court), after a hearing on the merits would be recognised as a valid judgment by the Guernsey courts and would be enforceable in accordance with and subject to the provisions of the 1957 Law.

The Guernsey courts would also recognise any final and conclusive judgment under which a sum of money is payable (not being a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty) obtained in a court not recognised by the 1957 Law provided such court is deemed to have jurisdiction in accordance with the principles of private international law as applied by Guernsey and such judgment would be sufficient to form the basis of proceedings in the Guernsey Courts for a claim for liquidated damages in the amount of such judgment. In such proceedings, the Guernsey Courts would not re-hear the case on its merits save in accordance with such principles of private international law.

PART VII

TERMS AND CONDITIONS OF EACH PLACING UNDER THE PLACING PROGRAMME

IMPORTANT INFORMATION FOR INVITED PLACEEES

1. INTRODUCTION

- 1.1 Each Placee which confirms its agreement (whether orally or in writing) to the Company and the Placing Agent to subscribe for the New Ordinary Shares under a Placing will be bound by these terms and conditions and will be deemed to have accepted them.
- 1.2 The Company and/or the Placing Agent may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it/they (in its/their absolute discretion) see fit and may require any such Placee to execute a separate placing letter.

2. AGREEMENT TO SUBSCRIBE FOR NEW ORDINARY SHARES

- 2.1 The Placing Agent's obligations under the Placing Agreement in respect of each Placing of the New Ordinary Shares are conditional on, *inter alia*:
 - 2.1.1 the Placing Agent having received binding commitments from Placees to subscribe for the New Ordinary Shares at the relevant Placing Price to raise minimum gross proceeds as agreed by the Company and the Placing Agent (or, if applicable, the Placing Agents), in consultation with the Investment Manager;
 - 2.1.2 the representations and warranties given by the Company and the Investment Manager to the Placing Agent being true and accurate in all material respects and not misleading on and as of the date of the Placing Agreement and immediately before any Admission, the release of any public or press announcement by the Company in connection with any Placing, including an announcement of the results of each Placing, and the issue of any Supplementary Prospectus;
 - 2.1.3 the Required Resolution having been passed without amendment;
 - 2.1.4 with respect to any Placing, Admission taking place not later than the closing date of the Placing Programme, being 20 February 2021; and
 - 2.1.5 the Placing Agreement becoming otherwise unconditional in all respects in respect of any Placing and not having been terminated before Admission pursuant to its terms.
- 2.2 Any commitment to acquire New Ordinary Shares under a Placing agreed orally with the Placing Agent, as agent for the Company, will constitute an irrevocable, legally binding commitment upon that person (who at that point will become a Placee) in favour of the Company and the Placing Agent, to subscribe for the number of the New Ordinary Shares allocated to it and comprising its placing confirmation on the terms and subject to the conditions set out in this Part VII of this Prospectus and in the contract note (the "**Contract Note**") and in accordance with the Articles. Except with the consent of the Placing Agent, such oral commitment will not be capable of variation, revocation or rescission after the time at which it is made.
- 2.3 Each Placee's allocation of New Ordinary Shares under a Placing will be evidenced by a Contract Note confirming: (i) the number of the New Ordinary Shares that such Placee has agreed to acquire; (ii) the aggregate amount that such Placee will be required to pay for such New Ordinary Shares; and (iii) settlement instructions to pay the Placing Agent, as agent for the Company. The provisions as set out in this Part VII of this Prospectus will be deemed to be incorporated into that Contract Note.

3. PAYMENT FOR NEW ORDINARY SHARES

- 3.1 Each Placee undertakes to pay the Placing Price for the New Ordinary Shares issued to the Placee in the manner and by the time directed by the Placing Agent. In the event of any failure by any Placee to pay as so directed and/or by the time required by the Placing Agent, the relevant Placee shall be deemed hereby to have appointed the Placing Agent or any nominee of the Placing Agent as its agent

to use its reasonable endeavours to sell (in one or more transactions) any or all of the New Ordinary Shares in respect of which payment shall not have been made as directed, and to indemnify the Placing Agent and its respective Affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales. A sale of all or any of such New Ordinary Shares shall not release the relevant Placee from the obligation to make such payment for the relevant New Ordinary Shares to the extent that the Placing Agent or its nominee has failed to sell such New Ordinary Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, exceeds the Placing Price per New Ordinary Share.

- 3.2 Settlement of transactions in the New Ordinary Shares following Admission will take place in CREST but the Placing Agent reserves the right in its absolute discretion to require settlement in certificated form if, in its opinion, delivery or settlement is not possible or practicable within the CREST system within the timescales previously notified to the Placee (whether orally, in the Contract Note or otherwise) or would not be consistent with the regulatory requirements in any Placee's jurisdiction. In addition, the Company reserves the right to issue New Ordinary Shares in certificated form to any Shareholder at its sole discretion.
- 3.3 The Company will procure the delivery of the New Ordinary Shares to the CREST accounts set out in the Contract Note. The input to CREST by a Placee of a matching or acceptance instruction will then allow delivery of the relevant New Ordinary Shares to that Placee against payment.
- 3.4 Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of two percentage points above LIBOR as determined by the Placing Agent.
- 3.5 If New Ordinary Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the Contract Note is copied and delivered immediately to the relevant person within that organisation. Insofar as New Ordinary Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such New Ordinary Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax. If there are any circumstances in which any other stamp duty or stamp duty reserve tax (together with interest and penalties) is payable in respect of the issue of the New Ordinary Shares neither the Placing Agent nor the Company shall be responsible for the payment thereof.

4. REPRESENTATIONS AND WARRANTIES

By agreeing to subscribe for New Ordinary Shares under a Placing, each Placee which enters into a commitment to subscribe for New Ordinary Shares will be (for itself and for any person(s) procured by it to subscribe for the New Ordinary Shares and any nominee(s) for any such person(s)) deemed to represent, warrant, undertake, agree and acknowledge to each of the Company and the Placing Agent that:

- 4.1 in agreeing to subscribe for the New Ordinary Shares under that Placing, it is relying solely on this Prospectus of which these terms and conditions form part 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, the New Ordinary Shares or the relevant Placing. It agrees that none of the Company, the Placing Agent, the Investment Manager, the Registrar, or any of their respective officers, agents, employees or Affiliates, 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;
- 4.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for New Ordinary Shares, 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 application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Placing Agent, the Investment Manager or the Registrar or any of their respective officers, agents, employees or Affiliates 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 relevant Placing;

- 4.3 it has carefully read and understands this Prospectus in its entirety and acknowledges that it is acquiring New Ordinary Shares on the terms and subject to the conditions set out in this Part VII of this Prospectus and in the Contract Note and the Articles as in force at the date of Admission;
- 4.4 the price payable per New Ordinary Share is payable to the Placing Agent on behalf of the Company in accordance with the terms of this Part VII of this Prospectus and in the Contract Note;
- 4.5 it has the funds available to pay in full for the New Ordinary Shares for which it has agreed to subscribe and it will pay the total subscription amount in accordance with the terms set out in this Part VII of this Prospectus and incorporated into the Contract Note on the due time and date;
- 4.6 it has not relied on the Placing Agent or any person affiliated with the Placing Agent in connection with any investigation of the accuracy of any information contained in this Prospectus;
- 4.7 it acknowledges that the content of this Prospectus is exclusively the responsibility of the Company and the Directors and neither the Placing Agent nor any person acting on its behalf nor any of its Affiliates are responsible for or shall have any liability for any information, representation or statement contained in this Prospectus or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the relevant Placing based on any information, representation or statement contained in this Prospectus or otherwise;
- 4.8 it acknowledges that no person is authorised in connection with the relevant Placing to give any information or make any representation other than as contained in this Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Placing Agent, the Company or the Investment Manager;
- 4.9 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;
- 4.10 it accepts that none of the New Ordinary Shares have been or will be registered under the securities laws, or with any securities regulatory authority, of the United States, any member state of the EEA other than the United Kingdom, Australia, Canada, South Africa or Japan (each a "**Restricted Jurisdiction**"). Accordingly, the New Ordinary Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Restricted Jurisdiction unless an exemption from any registration requirement is available;
- 4.11 if it is within the United Kingdom, it is (a) a person who falls within (i) Articles 49(2)(A) to (D) or (ii) Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "**Order**") or is a person to whom the New Ordinary Shares may otherwise lawfully be offered under such Order, or, 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 and (b) a qualified investor (as such term is defined in section 86(7) of FSMA);
- 4.12 if it is a resident in the EEA (other than the United Kingdom), it is (a) a qualified investor within the meaning of Article 2 of the Prospectus Regulation and (b) if the Relevant Member State has implemented the AIFM Directive, that it is a person to whom the Shares may lawfully be marketed to under the applicable implementing legislation (if any) of the Relevant Member State;
- 4.13 in the case of any New Ordinary Shares acquired by a Placee as a financial intermediary as that term is used in the Prospectus Regulation (i) the New Ordinary Shares acquired by it in the relevant Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Regulation, or in circumstances in which the prior consent of the Placing Agent has been given to the offer or resale; or (ii) where New Ordinary Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those New Ordinary Shares to it is not treated under the Prospectus Regulation as having been made to such persons;
- 4.14 if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Placing (for the purposes of this Part VII of this Prospectus, each a "**Placing Document**") 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 relevant Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made

- to it or such person and such documents or materials could lawfully be provided to it or such person and 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;
- 4.15 it does not have a registered address in, and is not a citizen, resident or national of an Excluded Territory or 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;
 - 4.16 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 agreement to subscribe for New Ordinary Shares under the relevant Placing;
 - 4.17 it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the New Ordinary Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person and you acknowledge and agree that no Placing Document is being issued by the Placing Agent in its capacity as an authorised person under section 21 of FSMA and such documents may not therefore be subject to the controls which would apply if they were made or approved as a financial promotion by an authorised person;
 - 4.18 it is aware of and acknowledges that it is required to comply with all applicable provisions of FSMA with respect to anything done by it in relation to the New Ordinary Shares in, from or otherwise involving, the United Kingdom;
 - 4.19 it is aware of the provisions of the Criminal Justice Act 1993 regarding insider dealing, the EU Market Abuse Regulation (596/2014) and the Proceeds of Crime Act 2002 and confirms that it has and will continue to comply with any obligations imposed by such statutes and/or regulations;
 - 4.20 unless it is otherwise expressly agreed with the Company and the Placing Agent in the terms of any particular Placing, it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other Placing Document to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
 - 4.21 unless it is otherwise expressly agreed with the Company and the Placing Agent in the terms of a particular Placing, it represents, warrants, undertakes, acknowledges and agrees to the representations, warranties, undertakings, acknowledgements and agreements as set out under the heading "*United States Purchase and Transfer Restrictions*" in paragraph 5 below;
 - 4.22 no action has been taken or will be taken in any jurisdiction other than the United Kingdom that would permit a public offering of the New Ordinary Shares or possession of this Prospectus (and any supplementary prospectus issued by the Company), in any country or jurisdiction where action for that purpose is required;
 - 4.23 it acknowledges that neither the Placing Agent nor any of its Affiliates nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the relevant Placing or providing any advice in relation to the relevant Placing and participation in the relevant Placing is on the basis that it is not and will not be a client of the Placing Agent and that the Placing Agent does not have any duties or responsibilities to it for providing protections afforded to its clients or for providing advice in relation to the relevant Placing;
 - 4.24 that, save in the event of fraud on the part of the Placing Agent, none of the Placing Agent, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Liberum's role as sponsor or the Placing Agent's role as bookrunner or otherwise in connection with any Placing or the Placing Programme and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
 - 4.25 it acknowledges that where it is subscribing for the 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 relevant Placing in the form provided by the

Company and/or the Placing Agent. It agrees that the provisions of this paragraph shall survive any resale of the New Ordinary Shares by or on behalf of any such account;

- 4.26 it irrevocably appoints any Director and any director of the Placing Agent 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 relevant Placing, in the event of its own failure to do so;
- 4.27 it accepts that if the relevant Placing does not proceed or the relevant conditions to the Placing Agreement are not satisfied with regard to the relevant Placing or the New Ordinary Shares for which valid applications are received and accepted are not admitted to trading on the premium segment of the Main Market in each case for any reason whatsoever, then none of the Placing Agent or the Company or the Investment Manager, 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;
- 4.28 in connection with its participation in the relevant Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and that its application is only made on the basis that it accepts full responsibility for any requirement to 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, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2015/849/EC) of the European Parliament (the “**Money Laundering Directive**”) and of the EC Council of 20 May 2015 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 country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 4.29 it acknowledges that due to anti-money laundering requirements, the Placing Agent, the Administrator, the Company Secretary, the Registrar and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, the Placing Agent and the Company may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify the Placing Agent and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;
- 4.30 that it is aware of, has complied with and will at all times comply with its obligations in connection with money laundering under the Proceeds of Crime Act 2002;
- 4.31 it acknowledges and agrees that information provided by it to the Company, the Administrator or the Registrar will be stored on the Registrar’s and the Administrator’s computer system and manually;
- 4.32 by submitting personal data to the Administrator (acting for and on behalf of the Company), the Registrar or the Placing Agent:
- 4.32.1 in the case of a Placee, where (a) the Placee is a natural person or (b) where the Placee is not a natural person, he/she/it (as the case may be) represents and warrants that he/she/it (as applicable):
- (A) has read and understood the terms of the privacy notice as set out on the Company’s website; and/or
 - (B) has brought the Privacy Notice to the attention of any underlying data subjects on whose behalf or account the Placee may act or whose personal data will be disclosed to the Company, the Placing Agent, the Registrar and the Administrator as a result of the Placee subscribing for New Ordinary Shares under a Placing; and
 - (C) the Placee has complied in all other respects with Data Protection Laws in respect of the disclosure and provision of personal data to the Company;
- 4.32.2 where the Placee acts for or on account of an underlying data subject, he/she/it shall, in respect of the personal data it processes in relation to or arising out of any Placing;

- (A) comply with all applicable Data Protection Laws;
 - (B) take appropriate technical and organisational measures against unauthorised or unlawful processing of the personal data and against accidental loss or destruction of, or damage to the personal data;
 - (C) if required, agree with Company, the Administrator, the Placing Agent or the Registrar (as appropriate), the responsibilities of each such entity as regards relevant data subjects' rights and notice requirements; and
 - (D) immediately on demand, fully indemnify the Company, the Administrator, the Placing Agent and the Registrar and keep them fully and effectively indemnified against all costs, demands, claims, expenses (including legal costs and disbursements on a full indemnity basis), losses (including indirect losses and loss of profits, business and reputation), actions, proceedings and liabilities of whatsoever nature arising from or incurred by the Company, the Administrator, the Placing Agent and the Registrar in connection with any failure by the Placee to comply with the provisions of this clause 4.32.2;
- 4.33 the Placing Agent and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them;
- 4.34 the representations, undertakings and warranties contained in this Prospectus are irrevocable. It acknowledges that the Placing Agent and the Company and their respective Affiliates will rely upon the truth and accuracy of, and compliance with, the foregoing and following representations, undertakings and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed to have been made by its subscription of the New Ordinary Shares are no longer accurate, or have not been complied with, it shall promptly notify the Placing Agent and the Company;
- 4.35 where it or any person acting on behalf of it is dealing with the Placing Agent, any money held in an account with the Placing Agent 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 which therefore will not require the Placing Agent to segregate such money, as that money will be held by the Placing Agent under a banking relationship and not as trustee;
- 4.36 any of its clients, whether or not identified to the Placing Agent, will remain its sole responsibility and will not become clients of the Placing Agent for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.37 it accepts that the allocation of the New Ordinary Shares shall be determined by the Placing Agent (or, if applicable, Placing Agents), in its (or, if applicable, their) absolute discretion, and that the Placing Agent (or, if applicable, Placing Agents) may scale down any Placing commitments for this purpose on such basis as it (or, if applicable, they) may determine;
- 4.38 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 relevant Placing;
- 4.39 it authorises the Placing Agent to deduct from the total amount subscribed under the relevant Placing the aggregation commission (if any) (calculated at the rate agreed with the Placee) payable on the number of the New Ordinary Shares allocated under that Placing;
- 4.40 in the event that a supplementary prospectus is required to be produced pursuant to section 87G FSMA and in the event that it chooses to exercise any right of withdrawal pursuant to section 87(Q)(4) FSMA, such Placee will immediately re-subscribe for the New Ordinary Shares previously comprising its placing commitment;
- 4.41 the commitment to subscribe for New Ordinary Shares on the terms set out in these terms and conditions will continue notwithstanding any amendment that may in the future be made to the terms of the relevant Placing and that it will have no right to be consulted or require that its consent be obtained with respect to the Company's conduct of the relevant Placing;
- 4.42 it is capable of being categorised as a person who is a "professional client" or an "eligible counterparty" within the meaning of Chapter 3 of the FCA's Conduct of Business Sourcebook; and
- 4.43 if it is acting as a "distributor" (for the purposes of the MiFID II Product Governance Requirements):
- 4.43.1 it acknowledges that the target market assessment undertaken by the Investment Manager and the Placing Agent does not constitute: (a) an assessment of suitability or appropriateness

for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the New Ordinary Shares, and each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels;

- 4.43.2 notwithstanding any target market assessment undertaken by the Investment Manager and the Placing Agent, it confirms that it has satisfied itself as to the appropriate knowledge, experience, financial situation, risk tolerance and objectives and needs of the investors to whom it plans to distribute the New Ordinary Shares and that it has considered the compatibility of the risk/reward profile of such Shares with the end target market; and
- 4.43.3 it acknowledges that the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

5. UNITED STATES PURCHASE AND TRANSFER RESTRICTIONS

- 5.1 Unless it is otherwise expressly agreed with the Company and the Placing Agent in the terms of any particular Placing, by agreeing to subscribe for New Ordinary Shares, each Placee which enters into a commitment with the Placing Agent 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 represent, warrant, undertake, agree and acknowledge to the Placing Agent, the Company, the Registrar, the Board, the Investment Manager and their respective Affiliates, that:
 - 5.1.1 it is not a US Person, is not located within the United States at the time it received the offer to subscribe for New Ordinary Shares and is not acquiring the New Ordinary Shares for the account or benefit of a US Person;
 - 5.1.2 it is acquiring the New Ordinary Shares in a manner qualifying as an “offshore transaction” meeting the requirements of Regulation S under the US Securities Act;
 - 5.1.3 the 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 may not be offered, sold, resold, pledged, delivered, distributed or otherwise transferred, directly or indirectly, into or within the United States or to, or for the account or benefit of, US Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States and in a manner which would not result in the Company being required to register under the US Investment Company Act;
 - 5.1.4 the Company has not been and will not be registered under the US Investment Company Act and as such investors are not and will not be entitled to the benefits of the US Investment Company Act, and that the Company has put in place restrictions on the ability of investors to hold or transfer Ordinary Shares to ensure that the Company is not and will not be required to register under the US Investment Company Act;
 - 5.1.5 no portion of the assets used to acquire, 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 of the US Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Tax Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the US Tax 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 US Tax Code, its acquisition, holding, and disposition of the New Ordinary Shares will not constitute or result in a non-exempt violation of any such substantially similar law;

- 5.1.6 if in the future it decides to offer, resell, transfer, assign, pledge or otherwise dispose of Ordinary Shares or any beneficial interest therein, it will do so only (i) outside the United States in an “offshore transaction” complying with the provisions of Regulation S under the US Securities Act to a person not known by the transferor to be a US Person, by prearrangement or otherwise, or (ii) to the Company or a subsidiary thereof and in each case, in compliance with all applicable securities laws;
- 5.1.7 it is acquiring 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 Ordinary Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;
- 5.1.8 the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person’s status under US federal securities laws and to require any such person that has not satisfied the Company that the holding by such person will not violate or require registration under US federal securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;
- 5.1.9 the representations, warranties, undertakings, agreements and acknowledgements contained herein are irrevocable and it acknowledges that the Company, the Placing Agent and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of and its compliance with the representations, warranties, undertakings, agreements and acknowledgements contained herein;
- 5.1.10 if any of the representations, warranties, undertakings, agreements or acknowledgements contained herein are no longer accurate or have not been complied with, it will immediately notify the Company and the Placing Agent; and
- 5.1.11 if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it has sole investment discretion with respect to each such account and it has full power to make, and does make, each of the representations, warranties, undertakings, agreements and acknowledgements contained herein on behalf of each such account.

6. SUPPLY OF INFORMATION

If the Placing Agent, the Registrar or the Company or any of their agents request any information about a Placee’s agreement to subscribe for the New Ordinary Shares under a Placing, such Placee must promptly disclose it to them.

7. MISCELLANEOUS

- 7.1 The rights and remedies of the Company, the Registrar, the Investment Manager and the Placing Agent 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.
- 7.2 On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. 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 a Placing will be sent at the Placee’s risk. They may be returned by post to such Placee at the address notified by such Placee.
- 7.3 Each Placee agrees to be bound by the Articles once the New Ordinary Shares, for which the Placee has agreed to subscribe pursuant to a Placing, have been acquired by the Placee. The contract to subscribe for the New Ordinary Shares under a Placing and the appointments and authorities mentioned in this Prospectus will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Placing Agent, the Registrar and the Company, 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 a Placee in any other jurisdiction.

- 7.4 In the case of a joint agreement to subscribe for the New Ordinary Shares under a Placing, references to a Placee in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 7.5 The Placing Agent and the Company expressly reserve the right to modify the Placing Programme (including, without limitation, the timetable of principal events set out in this Prospectus and settlement) at any time before allocations are determined. Each Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated.

PART VIII

ADDITIONAL INFORMATION

1. The Company

The Company was incorporated and registered in Guernsey on 6 September 2005 under the provisions of the Companies Law, as a non-cellular company limited by shares with the name Queen's Walk Investment Limited and with registered number 43634. On 17 September 2010, the Company was re-named Real Estate Credit Investments Limited. On 10 August 2011, the Company converted from a non-cellular company limited by shares to a protected cell company limited by shares and was renamed Real Estate Credit Investments PCC Limited. On 25 October 2016 the Company converted back from a PCC to a non-cellular company limited by shares and was renamed Real Estate Credit Investments Limited.

The Company is domiciled in Guernsey and operates under the Companies Law and the ordinances and regulations made thereunder. The Company's registered office is at East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP and its telephone number at its registered office is +44 (0) 1481 749700.

The Company has been declared by the GFSC to be an authorised closed-ended investment scheme authorised under Section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-Ended Investment Schemes Rules 2008 issued by the GFSC. As such, the Company is authorised and regulated by the Guernsey Financial Services Commission.

As a company admitted to the Official List, the Company is not a regulated fund but is subject to the Listing Rules of the FCA applicable to closed-end investment companies.

2. The AIFM

The Investment Manager, Cheyne Capital Management (UK) LLP, a limited liability partnership incorporated in England and Wales with registered number OC321484 is the Company's AIFM. It is authorised and regulated by the FCA. The registered office of the Investment Manager is Stornoway House, 13 Cleveland Row, London SW1A 1DH and its telephone number is +44 (0) 20 7968 7450.

3. Depositary

The Bank of New York Mellon (International) Limited has been appointed as Depositary of the Company pursuant to the Depositary Agreement (further details of which are set out in paragraph 9.5 of this Part VIII of this Prospectus). The Depositary is a limited company incorporated in England and Wales with registered number 03236121. It is authorised by the UK Prudential Regulatory Authority and regulated by the FCA for the purpose of providing depositary services. The address of the registered office of the Depositary is 1 Canada Square, London, E14 5AL and its London headquarters are based at 160 Queen Victoria Street, London, EC4V 4LA. The Depositary's telephone number is +44 20 7163 5566.

4. Significant change statement (since 30 September 2019)

Save to the extent disclosed below, as at the date of this Prospectus, there has been no significant change in the financial position of the Group which has occurred since 30 September 2019, being the end of the last financial period for which interim financial information has been published. Since 30 September 2019, the following events have taken place:

- on 1 October 2019, the Company announced that it raised gross proceeds of £17 million through the issue of 10,208,480 new Ordinary Shares at placing price of 167 pence per share, made pursuant to the 2018 Placing Programme;
- a second interim dividend of 3.0 pence per Ordinary Share was approved by the Directors on 29 November 2019 for the year ending 31 March 2020, which was paid on 3 January 2020; and
- on 4 February 2020, the Company announced that it had raised gross proceeds of £33.5 million through the issue of 19,920,363 new Ordinary Shares at a placing price of 168 pence per share, made pursuant to the Company's general authority to allot and issue equity securities on a non-pre-

emptive basis pursuant to the authority granted to the Directors by an extraordinary resolution of the Shareholders passed at the Company's annual general meeting held on 17 September 2019.

5. Share Capital

The Company has the power to issue an unlimited number of shares of no par value.

Since 1 April 2015, there have been the following changes to the Company's share capital:

- On 23 February 2017 the Company issued an additional 15,546,613 Ordinary Shares pursuant to the 2017 Placing Programme.
- On 10 July 2017, the Company issued an additional 14,242,425 Ordinary Shares pursuant to the 2017 Placing Programme.
- On 16 September 2017, the Company redeemed and cancelled all of the 44,962,834 Preference Shares in issue (3,032,415 of which were held in treasury). The aggregate payment to holders of Preference Shares was £42.6 million.
- On 2 October 2017 the Company issued an additional 24,500,000 Ordinary Shares pursuant to the 2017 Placing Programme.
- On 15 December 2017, the Company issued an additional 10,710,962 Ordinary Shares pursuant to the 2017 Placing Programme and 1,564,488 Ordinary Shares pursuant to: (i) the Company's general authority to allot and issue equity securities contained in Article 5 of the Articles; (ii) the authority to issue and allot shares on a non-pre-emptive basis granted to the Directors by an extraordinary resolution of the Shareholders passed at the Company's annual general meeting held on 11 September 2017; and (iii) Article 1(5)(a) of Regulation (EU) 2017/1129, which provides that an issuer is not required to publish a prospectus if it is issuing securities fungible with securities already admitted to trading on the same regulated market, provided that they represent, over a period of 12 months, less than 20 per cent. of the number of securities already admitted to trading on the same regulated market.
- On 24 May 2019, the Company announced that it raised gross proceeds of £78 million through the issue of 45,882,353 new Ordinary Shares at placing price of 170 pence per share, made pursuant to the 2018 Placing Programme.
- On 1 October 2019, the Company announced that it raised gross proceeds of £17 million through the issue of 10,208,480 new Ordinary Shares at placing price of 167 pence per share, made pursuant to the 2018 Placing Programme.
- On 4 February 2020, the Company announced that it had raised gross proceeds of £33.5 million through the issue of 19,920,363 new Ordinary Shares at a placing price of 168 pence per share, made pursuant to the Company's general authority to allot and issue equity securities on a non-pre-emptive basis pursuant to the authority granted to the Directors by an extraordinary resolution of the Shareholders passed at the Company's annual general meeting held on 17 September 2019.

As at the Latest Practicable Date, the fully paid issued share capital of the Company consists of 229,332,478 Existing Ordinary Shares of no par value each.

The Company did not hold any Existing Ordinary Shares in treasury as at the Latest Practicable Date.

On the assumption that a maximum of 150 million New Ordinary Shares are issued pursuant to the Placing Programme, the issued share capital of the Company (all of which will be fully paid up) immediately following Admission of the New Ordinary Shares issued pursuant to the final Placing within the Placing Programme will be 379,332,478 Ordinary Shares.

As at the date of this Prospectus, no options to acquire Shares or securities convertible or exchangeable into Shares or warrants have been issued by the Company or agreed to be issued.

Save as disclosed in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and no borrowing or contingent liabilities have been incurred.

The New Ordinary Shares will be issued in registered form and will be capable of being held in certificated or uncertificated form, provided however, that the Company may specify in any prospectus, or otherwise, published in connection with any increase in the Company's share capital, that any US Persons or persons in the United States participating in such capital increase (if applicable) be issued shares in certificated form. Temporary documents of title will not be issued.

The New Ordinary Shares to be issued pursuant to the Placing Programme will be issued in accordance with the Articles and the Companies Law.

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment of any class of shares. However, in order to comply with the requirements of the Listing Rules, the Articles contain pre-emption rights that will apply in respect of equity securities (as such term is defined in the Articles). If approved by the Existing Ordinary Shareholders at the EGM, the Required Resolution will allow the Company to disapply the pre-emption rights contained in the Articles in respect of 150 million New Ordinary Shares (in addition to any authority to allot Shares on a non-pre-emptive basis last approved at an annual general meeting of the Company), such disapplication to have effect for the duration of the Placing Programme. The Directors' authority to allot Shares on a non-pre-emptive basis is also reviewed periodically at general meetings of the Company.

6. Memorandum and Articles of Incorporation

The Company has unlimited objects. The Memorandum of Incorporation is available for inspection at the address specified below in paragraph 21 in this Part VIII of this Prospectus.

The following is a summary of the Articles as at the date of this Prospectus. Copies of the Articles are available for inspection at the address specified below in paragraph 21 in this Part VIII of this Prospectus.

Variation of Class Rights and Alteration of Capital

All or any of the rights for the time being attached to any share or class of shares for the time being issued may from time to time (and notwithstanding that the Company may or may be about to be in liquidation) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters of the capital committed or agreed to be committed in respect of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles, but so that the quorum at such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one third of the capital committed or agreed to be committed in respect of the issued shares of the class in question.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied by (a) the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all aspects *pari passu* therewith but in no respect in priority thereto or (b) the purchase or redemption by the Company of any of its own Shares.

Subject to the terms and rights attaching to the shares and the Articles, any new shares shall be of such class and amount and have such preference or priority with regard to dividends or in the distribution of assets or as to voting or otherwise over any other shares of any class whether then issued or not or be subject to such stipulations deferring them to any other shares with regard to dividends or in the distribution of the assets as the Board may determine.

Subject as provided elsewhere in the Articles, the Company may by Ordinary Resolution:

- (a) increase its capital by the creation of new shares of such amount as the resolution may prescribe;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (c) subdivide all or any of its shares into shares of smaller amount than is fixed by the Memorandum so however that in subdivision the proportion between the amount paid and the amount if any unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that the resolution whereby any share is subdivided may determine that as

between the holders of the shares resulting from subdivision one or more of the shares may have such preferred deferred or other rights over the others as the Company has power to attach to unissued or new shares;

- (d) cancel any shares which at the date of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled;
- (e) convert all or any of its fully paid shares, the nominal amount of which is expressed in a particular currency, into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than 3 significant figures) current on the date of the resolution or on such other date as may be specified therein; and
- (f) where its share capital is expressed in a particular currency or former currency, denominate or redenominate it, whether by expressing its amount in units or subdivisions of that currency or former currency or otherwise.

The Board on any consolidation of shares may deal with fractions of shares in any manner.

Issue of Shares

As at the date of the Prospectus and subject to the provisions of the Articles, the unissued Shares shall be at the disposal of the Board which may allot, grant options over (including, without limitation, by way of granting phantom stock, stock appreciation rights or other similar rights) or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that the amount payable on application on each share shall be fixed by the Board.

The following pre-emption rights apply:

The Company shall not allot equity securities to a person on any terms unless:

- (a) it has made an offer to each person who holds ordinary shares in the Company to allot to him, on the same or more favourable terms, a proportion of those securities that is as nearly as practicable equal to the proportion in number held by him of the ordinary share capital of the Company; and
- (b) the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made, (the “**Restriction**”).

For this purpose “equity securities” means:

- (a) ordinary shares in the Company (ordinary shares, for this purpose only, being shares other than shares that as respects dividends and capital carry a right to participate only up to a specified amount in a distribution); or
- (b) rights to subscribe for, or to convert securities into, ordinary shares in the Company.

References to the allotment of equity securities include:

- (a) the grant of a right to subscribe for, or to convert any securities into, ordinary shares in the Company; and
- (b) the sale of ordinary shares in the Company that immediately before the sale are held by the Company as treasury shares.

Equity securities that the Company has offered to allot to a holder of ordinary shares may be allotted to him, or anyone in whose favour he has renounced his right to their allotment, without contravening the Restriction and if the Restriction applies in relation to the grant of such right, it will not apply in relation to the allotment of shares in pursuance of that right.

Shares held by the Company as treasury shares shall be disregarded for the purposes of the Restriction, so that the Company is not treated as a person who holds ordinary shares and the treasury shares are not treated as forming part of the share capital of the Company.

Any offer required to be made by the Company pursuant to the provisions set out above should be made by a notice and such offer must state a period during which such offer may be accepted and such offer shall not be withdrawn before the end of that period. Such period must be a period of at least 14 days

beginning on the date on which such offer is deemed to be delivered or received (as the case may be) pursuant to the Articles.

The Restriction shall not apply in relation to the allotment of bonus shares, nor to a particular allotment of equity securities if these are, or are to be, wholly or partly paid otherwise than in cash.

The Company may by extraordinary resolution resolve that the Restriction shall be excluded or that the Restriction shall apply with such modifications as may be specified in the resolution:

- (a) generally in relation to the allotment by the Company of equity securities;
- (b) in relation to allotments of a particular description; or
- (c) in relation to a specified allotment of equity securities; and any such resolution must:
 - (i) state the maximum number of equity securities in respect of which the Restriction is excluded or modified; and
 - (ii) specify the date on which such exclusion or modifications will expire, which must be not more than five years from the date on which the resolution is passed.

Any resolution passed pursuant to the paragraph above may:

- (a) be renewed or further renewed by Special Resolution of the Company for a further period not exceeding five years; and
- (b) be revoked or varied at any time by Special Resolution of the Company.

Notwithstanding that any such resolution referred to in the paragraphs above has expired, the Directors may allot equity securities in pursuance of an offer or agreement previously made by the Company if the resolution enabled the Company to make an offer or agreement that would or might require equity securities to be allotted after it expired.

In respect of the pre-emption rights, in relation to an offer to allot equity securities a reference (however expressed) to the holder of equity securities of any description is to whoever was the holder of equity securities of that description at the close of business on a date to be specified in the offer and the specified date must fall within the period of 28 days immediately before the date of the offer.

Class Rights

The Company does not have any Preference Shares in issue and therefore the rights attaching to such shares have not been summarised in this Prospectus.

As at the date of the Prospectus, the rights attaching to the Existing Ordinary Shares are as follows:

- (e) *Voting Rights*

Subject to any special rights or restrictions which may be attached to any class of share on a show of hands, every holder of Ordinary Shares who (being an individual) is present in person or by a proxy shall have one vote and, on a poll, every holder present in person or by a proxy shall have one vote for every share held.

- (f) *Dividends*

Save as set out below, the Company may declare dividends to holders of shares but no dividend shall exceed the amount recommended by the Board.

Save as set out below, the Board may at any time declare and pay such interim dividends to the holders of Ordinary Shares as appear to be justified by the position of the Company.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of 12 years from the date of declaration thereof will be forfeited and will revert to the Company and the payment by the Directors of any unclaimed dividend or other sum

payable on or in respect of a share into a separate account will not constitute the Company a trustee in respect thereof.

(g) *Capital*

On a return of capital on liquidation or otherwise (other than by way of repurchase or redemption of Ordinary Shares in accordance with the Articles and the Companies Law) the assets of the Company available for distribution among the Shareholders shall belong to and be distributed among the Ordinary Shareholders in proportion to the number of Ordinary Shares held by them.

(h) *Redemption*

The Existing Ordinary Shares do not carry a right to redemption by Existing Ordinary Shareholders.

Transfer and Compulsory Transfer of Shares

As at the date of this Prospectus, subject to any restrictions on transfers described below:

- (d) Any Shareholder may transfer all or any of his uncertificated shares by means of a relevant system authorised by the Board in such manner provided for, and subject as provided, in any regulations issued for this purpose under the Companies Law or such as may otherwise from time to time be adopted by the Board on behalf of the Company and the rules of any relevant system and accordingly no provision of the Articles shall apply in respect of an uncertificated share to the extent that it requires or contemplates the effecting of a transfer by an instrument in writing or the production of a certificate for the shares to be transferred.
- (e) Any Shareholder may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in any other form which the Board may approve, signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.
- (f) The Directors shall not be bound to register more than four persons as joint holders of any Share. In addition, the Articles, in certain circumstances, allow the Directors to refuse to consent to a transfer by a Shareholder (a “**Defaulting Shareholder**”) who, having been requested to do so by the Directors, fails to provide certain information regarding the interests of other persons in the Shares held by the Defaulting Shareholder.

The Directors may refuse to register a transfer of Shares or require the sale or transfer of Shares if they have reason to believe that the transferee is a Non-Qualified Holder. The Directors will not however exercise this discretion if to do so would prevent dealings in Shares from taking place on an open and proper basis on the London Stock Exchange.

If it shall come to the notice of the Directors that any Shares are owned directly or beneficially by any Non-Qualified Holder, the Directors may give notice to such person requiring it (a) to provide the Directors within thirty days with sufficient satisfactory documentary evidence to satisfy the Directors that such person (as applicable) is not a Non-Qualified Holder or (b) to sell or transfer its Shares to a person qualified to own the same within thirty days and within such thirty days to provide the Directors with satisfactory evidence of such sale or transfer. If any person upon whom such a notice is served does not within thirty days after such notice transfer its Shares to a person qualified to own the same or establish to the satisfaction of the Directors (whose judgment shall be final and binding) that it is qualified and entitled to own the Shares, such person shall be deemed upon the expiration of such thirty days to have forfeited its Shares.

Directors

- (a) Unless otherwise determined by the Board, the number of Directors shall be not less than two nor more than ten.
- (b) A Director need not be a member of the Company. Each Director will retire at each annual general meeting subsequent to his or her election and be eligible for re-election by the Company at such annual general meeting.
- (c) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine provided that the amount paid to each Director by way of fees shall not exceed €160,000 in any financial year, or such

higher amount as may be determined from time to time by Ordinary Resolution. Any fees payable pursuant to the Articles shall be distinct from and shall not include any salary, remuneration for any executive office or other amounts payable to a Director pursuant to any other provisions of the Articles and shall accrue from day to day. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company. If by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.

- (d) A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or a proposed contract or arrangement with the Company shall immediately after becoming aware of the fact that he is so interested disclose the nature and monetary value or, if that value is not quantifiable, the extent of his interest at a meeting of the Board.
- (e) A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company). This is subject to certain exceptions including (i) where the contract, arrangements, transaction or proposal concerns general employee privileges or benefits or insurance policies for the benefit of Directors or (ii) in circumstances where a Director acts in a personal capacity in the giving of a guarantee, security or indemnity for the benefit of the Company or any of its subsidiaries.
- (f) Any Director 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 if he were not a Director.
- (g) Any Director may continue to be or become a director, managing director, manager or other officer, employee or member of any company promoted by the Company, or in which the Company may be interested and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such company.
- (h) The Directors shall not be subject to a mandatory retirement age.

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 or assets (present or future) and uncalled capital and, subject to the Companies Law, to issue debentures, loan stock, and other securities whether outright or as collateral security for any debt, liability or obligation of the Company to any third party. The Articles do not include any limitations on the Company's power to borrow, however any borrowing by the Directors will be within the limits imposed by the investment policy.

Disclosures of Beneficial Interests in Shares

- (i) The Directors may serve notice on any Shareholder requiring that Shareholder to disclose to the Company the identity of any person (other than the Shareholder) who has an interest in the Shares held by the Shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.
- (ii) If any Shareholder 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 at least 0.25 per cent. of the issued shares of the relevant class), the Directors in their absolute discretion may serve a direction notice on the Shareholder. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "**Default Shares**") and any other shares held by such Shareholder, such Shareholder shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. of

the class of Shares concerned, the direction notice may additionally direct that dividends on such Default Shares will be retained by the Company (without interest), and that no transfer of Default Shares (other than a transfer approved under the Articles) shall be registered until the default is rectified.

Winding Up

The Company may be voluntarily wound up at any time by Special Resolution in accordance with the Companies Law. On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, shall be divided *pari passu* amongst Shareholders *pro rata*, according to the rights attached to the Shares.

Untraceable Shareholders

The Company shall be entitled to sell at the best price reasonably obtainable the Shares of a Shareholder or any Shares to which a person is entitled by transmission on death or bankruptcy if and provided that:

- (a) for a period of 12 years no cheque or warrant sent by the Company through the post in a pre-paid letter addressed to the Shareholder or to the person so entitled to the Share at his address in the Register of Members or otherwise the last known address given by the Shareholder or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the Shareholder or the person so entitled provided that in any such period of 12 years the Company has paid at least three dividends whether interim or final;
- (b) the Company has at the expiration of the said period of 12 years by advertisement in a newspaper circulating in the area in which the address referred to in sub-paragraph (a) above is located given notice of its intention to sell such Shares;
- (c) the Company has not during the period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person so entitled; and
- (d) if any part of the share capital of the Company is quoted on any stock exchange the Company has given notice in writing to the quotations department of such stock exchange of its intention to sell such Shares.

7. Directors

No Director has:

- (i) any convictions in relation to fraudulent offences for at least the previous five years;
- (ii) save as set out below, been a director of any company or has been a member of the administrative, management or supervisory body of a company or a senior manager of a company, at the time of any bankruptcy, receivership or liquidation proceedings for at least the previous five years; or
- (iii) been bankrupt or subject to any official public incrimination of him and/or sanctions by any statutory or regulatory authority (including designated professional bodies) nor has he been disqualified by a court from acting as a director of a company or 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.

Certain of the Directors have been directors of entities which have been dissolved. To the best of each Director's knowledge, no such entity, upon its dissolution, was insolvent.

Mr Harrison was appointed as a Director on 6 September 2005. Mr Cowdell was appointed as a Director on 1 June 2015 and Chairman of the Board with effect from 12 June 2015. Mr Hallam was appointed as a Director on 21 March 2016. Mrs Farnon was appointed as a Director on 20 February 2018.

There are no outstanding loans granted by the Company to Directors, nor are there any guarantees provided by the Company for the benefit of any Director.

No Director has any conflicts of interest between any duties carried out on behalf of the Company and their private interests and/or other duties. There are no lock-up provisions regarding the disposal by any of the Directors of any Shares currently in force.

No Director has had any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company since its incorporation.

Over the five years preceding the date of this Prospectus, the Directors hold or have held the following directorships (apart from their directorships of the Company) or memberships of administrative, management or supervisory bodies and/or partnerships:

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
Bob Cowdell	Castel Underwriting Agencies Limited Thomas Miller Holdings Limited	Baillie Gifford UK Growth Fund plc Catlin Insurance Company (UK) Limited Catlin Underwriting Agencies Limited XL Insurance Company SE XL London Market Limited
Gaham Harrison	Absolute Return Trust Limited <i>(in voluntary liquidation)</i> ARC Group Limited ARC Research Limited Asset Risk Consultants Limited Beacon Capital Limited Beacon Enterprise Holdings Limited Beacon Income Limited BH Global Limited Bracdir Limited Dawson PTC Limited Guernsey Caring for Ex-Offenders LBG Holy Trinity Church Trust LBG Le Petit Bijou Limited New Wine Guernsey LBG Pembroke Heritage Fund Limited Sugar Thirteen Limited Suggestus Inc Volta Finance Limited Weymouth Trustees Private Ltd	Arcograph (Jersey) Limited Arcograph Ltd <i>(dissolved)</i> Asia Altitude Fund <i>(in voluntary liquidation)</i> Asia Altitude Master Fund <i>(in voluntary liquidation)</i> Asset Risk Consultants (Jersey) Ltd Avoca Credit Alpha Fund Avoca Credit Alpha Master Fund Avoca International Funds (Luxembourg) SICAV F&C UK Real Estate Finance Limited F&C UK Real Estate Investments Limited IPT Holdings Limited IRP Holdings Limited Liontrust Guernsey International Funds Limited Liontrust International (Guernsey) Ltd <i>(dissolved)</i> Marguerite Limited QPM Limited <i>(dissolved)</i> Somerville Holdings Limited Trebuchet Finance Limited
John Hallam	Baring Coller Secondaries Fund II Ltd Calabash House Ltd Investec Premier Funds PCC Ltd Les Grandes Moulins Ltd NB Distressed Debt Investment Fund Ltd Partners Group Global Opportunities Ltd <i>(in liquidation)</i> PG Impact Investments Management Ltd Ruffer Illiquid Multi Strategies Fund 2015 Limited Ruffer Multi Strategies Fund Ltd	Baring Coller Secondaries Fund Ltd <i>(in voluntary liquidation)</i> Barclays Insurance Guernsey PCC Ltd BH Global Ltd Bracken Partners Investments Channel Islands Ltd <i>(dissolved)</i> EFG Private Bank (Channel Islands) Ltd Genesis Asset Managers LLP HICL Infrastructure Co Ltd <i>(dissolved)</i> Investec Expert Investment Funds PCC Ltd <i>(in voluntary liquidation)</i> Motion Fund II (GP) Ltd NB PEP Holdings Ltd

<i>Name</i>	<i>Current directorships/ partnerships</i>	<i>Previous directorships/ partnerships</i>
John Hallam (cont)		NB PEP Investments Ltd NB PEP Investments LP Ltd NB Private Equity Partners Ltd Olivant Investments (No 1) Ltd (dissolved) Olivant Ltd (dissolved) Partners Group Prime Yield Sarl (<i>in voluntary liquidation</i>) Ruffer Illiquid Strategies Fund of Funds 2009 Ltd (<i>dissolved</i>) Ruffer Illiquid Strategies Fund 2011 Ltd (<i>in voluntary liquidation</i>) Sienna Investment Co Ltd (<i>dissolved</i>) Sienna Investment Co 2 Ltd (<i>dissolved</i>) Sienna Investment Co 3 Ltd (<i>dissolved</i>) Sienna Investment Co 4 Ltd (<i>dissolved</i>) Stapleford Co Ltd (<i>dissolved</i>)
Susie Farnon	Apax Global Alpha Limited Association of Investment Companies Baubigny Garage Limited Bailiwick Investments Limited Bailiwick Property Holdings Limited BH Global Limited Breedon Group PLC C&E Laundrettes Limited Chromium Music Group Limited Chromium Music Group (UK) Limited Column Holdings Limited Guernsey Equestrian Holdings Limited HICL Infrastructure Fund PLC Little Lucy Limited Muffin Limited The Health Improvement Commission for Guernsey and Alderney LBG Timbertops Limited	Bailiwick Investment Holdings Limited Dexion Absolute Limited (<i>in voluntary liquidation</i>) Guernsey Financial Services Commission Guernsey Sports Commission LBG Hagley Road Limited Jersey HICL Infrastructure Co Ltd (<i>dissolved</i>) Interceptor Holdings Limited L'Eree Holdings Limited Ravenscroft Holdings Limited Ravenscroft Limited Standard Life Investment Property & Income Trust Standard Life Property Holdings Ltd Threadneedle UK Select Trust Limited (<i>in voluntary liquidation</i>)

8. Directors' and other interests

The direct and indirect interests of Directors in the Shares as at the date of this Prospectus are as follows:

<i>Name</i>	<i>Existing Ordinary Shares</i>
Bob Cowdell	100,000
John Hallam	60,000
Graham Harrison	25,000
Susie Farnon	18,000

As at the date of this Prospectus, except as set out above, none of the Directors have any direct or indirect interests in Shares or options of the Company.

The total emoluments receivable by the Directors and paid by the Company in respect of the accounting year of the Company ended 31 March 2019 was £215,000. In respect of the financial year ended 31 March 2019, the Directors each received total annual fees as follows: Bob Cowdell: £85,000; John Hallam: £45,000; Graham Harrison: £40,000; Mrs Farnon £45,000.

In relation to the Placing Programme, and any placings carried out thereunder, following the publication of this Prospectus, the Chairman is entitled to receive an additional fee of £10,000 and the other Directors will each be entitled to receive an additional fee of £5,000.

In addition to these fees, the Company will reimburse all reasonable travel, and other incidental expenses incurred by the Directors in the performance of their duties.

Each of the Directors has signed a letter of appointment with the Company setting out the terms of their appointment. There are no service contracts in existence between the Company and any of the Directors, nor are any proposed. No amount has been set aside or accrued by the Company to provide pension, retirements or other similar benefits.

As at the date of this Prospectus, the Directors are not aware of any persons who can, directly or indirectly, jointly or severally, own the Company or exercise control over the Company.

The Directors are not aware of any arrangements, the operations of which may at a subsequent date result in a change of control of the Company.

Insofar as is known to the Company, the following persons were, directly or indirectly, interested in 5 per cent. or more of the issued share capital of the Company as at 31 January 2020:

<i>Ordinary Shareholder</i>	<i>No. of Existing Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares in issue</i>
Close Asset Mgt (London)	19,409,871	8.46
Bank Leumi Le Israel (Tel-Aviv)	17,938,509	7.82
Canaccord Genuity Wealth Mgt (Jersey)	17,316,432	7.55
FIL Investment International (London)	16,989,833	7.41
Premier Miton Investors (Guildford)	16,530,000	7.21
Smith & Williamson Investment Mgt (London)	15,128,381	6.60

None of the Company's Existing Ordinary Shareholders has voting rights attached to the Existing Ordinary Shares they hold which are different to the voting rights attached to the other Existing Ordinary Shares in the Company.

9. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) are contracts which have been entered into by the Company in the two years immediately preceding the date of this Prospectus, and which are or may be material or are contracts entered into by the Company which contain any provisions under which the Company has any obligation or entitlement which is or may be material to the Company at the date of this Prospectus:

9.1 Investment Management Agreement

The Company is party to the Investment Management Agreement dated 8 December 2005 (as amended from time to time) with the Investment Manager, pursuant to which the Company has appointed the Investment Manager to manage the assets of the Company on a day-to-day basis in accordance with, *inter alia*, the Investment Objective and Policy of the Company, subject to the overall supervision and direction of their respective boards of directors.

The Investment Management Agreement provides that if the Investment Manager acts as investment manager of, or investment adviser to, a subsidiary or SPV, the Investment Manager will be required to procure, to the extent that it is able to do so, that the investments of the relevant subsidiary or SPV are made such that the Company's Investment Portfolio shall, overall, be in accordance with the investment restrictions applicable to the Company.

The Investment Manager, its associates and their directors, members, managers, officers, agents, delegates and employees shall not be liable for any error of judgment or any loss suffered by the Company or any subsidiary or any SPV incorporated as a funding or asset holding vehicle for the

Company, or the Shareholders, directors, partners of the Company or any subsidiary or any SPV in connection with the services provided under the Investment Management Agreement unless such loss was caused by negligence, wilful default or fraud on the part of the Investment Manager, its associates or their directors, members, managers, officers, agents, delegates or employees. The Investment Management Agreement provides that the Investment Manager will not be liable for any default of any counterparty, bank, depositary, sub-depositary or other entity which holds money, investments or other documents of title on behalf of the Company or with or through whom transactions are conducted for the Company, provided that where such entity is chosen or selected by the Investment Manager, it has been so chosen or selected with due care. Nothing in the Investment Management Agreement excludes any liability of the Investment Manager under FSMA or the rules of the Financial Conduct Authority.

The Investment Manager or any holding company of the Investment Manager or any subsidiary of such holding company or of the Investment Manager from selling investments to or vesting investments in the Company or any SPV or from contracting or entering into any financial, banking, currency or other transaction with the Company, any SPV or any investor(s) in the Company or any company or body any of whose securities are held by or for the account of or otherwise connected with the Company or any SPV or from being interested in any such sale, vesting, contract or transaction and the interested party shall not be called upon to account in respect of any such contract or transaction or benefit derived therefrom provided that nothing herein contained shall permit any such sale or vesting or the entering into of any such contract or transaction as aforesaid with the Company or any SPV unless such transaction is on the best terms reasonably obtainable with reliable counterparties having regard to the interests of the Company or any SPV and the size and nature of the transaction.

The Company has agreed to indemnify the Investment Manager, its Associates and their directors, members, managers, officers, agents, delegates and employees with respect to all expenses, losses, damages, liabilities, demands, costs, charges and claims arising from acts or omissions of such party except in the case of negligence, wilful default or fraud on the part of such party.

The Investment Manager has agreed to indemnify the Company, to the extent lawful, against all expenses, losses, damages, liabilities, demands, costs, charges and claims incurred by it as a result of negligence, wilful default or fraud of the Investment Manager and its members, managers, officers, directors, agents and employees.

The Company may terminate the Investment Management Agreement at any time without cause by giving the Investment Manager not less than 12 months' prior notice in writing. In lieu of providing 12 months' notice, the Company may pay a termination fee equal to the Management Fees and the Performance Fees that the Investment Manager would have earned if the Investment Management Agreement had not been terminated prior to the end of the 12 month notice period (calculated based on the fees earned by the Investment Manager during the 12 month period preceding termination).

The Company may terminate the Investment Management Agreement for cause by giving the Investment Manager not less than 60 days' prior notice in writing, if the Investment Manager commits any material breach with respect to its obligations under the Investment Management Agreement and fails (in the case of a breach capable of rectification) to make good such breach within 30 days of receipt of written notice from the Company requiring it to do so. Such termination shall not take effect until the Company has appointed a replacement investment manager.

The Company may terminate the Investment Management Agreement by giving notice to the Investment Manager, effective forthwith, if the Investment Manager is dissolved or unable to pay its debts or commits any act of bankruptcy or if a receiver is appointed over all or a substantial portion of its assets or ceases to hold any licence, permission, authorisation or consent necessary for the performance of its duties under the Investment Management Agreement.

The Investment Manager may resign its appointment at any time without cause by giving the Company not less than three months' prior notice in writing, provided that such termination shall not take effect until the earlier of (i) the date on which the Company has appointed a replacement investment manager and (ii) the date falling six months after the date on which the Investment Manager gave such notice. The Investment Manager may resign its appointment by giving the

Company not less than 60 days' prior notice in writing if the Company commits any material breach with respect to its obligations under the agreement and fails to make good any breach within 30 days of receipt of written notice from the Investment Manager requiring it to do so.

The Investment Manager may resign its appointment by giving notice in writing to the Company, effective forthwith, if the Company is dissolved or is unable to pay its debts or commits any act of bankruptcy or if a receiver is appointed over all or a substantial portion of its assets.

In the event that a Continuation Resolution is not passed and the Shareholders approve a proposal by the Directors to achieve the winding up of the Company (howsoever effected), then any notice of without cause termination or without cause resignation served by either the Company or the Investment Manager (as applicable) shall only become effective upon the conclusion of the winding up of the Company, unless prior written consent is obtained from the recipient of the notice.

The Company pays to the Investment Manager a Management Fee, a Performance Fee and certain expenses as described in the section entitled "*Investment Management Agreement*" in Part III of this Prospectus.

The Investment Manager may delegate any of its functions under the Investment Management Agreement to an associate, provided such associate agrees to be bound by certain terms of the Investment Management Agreement. The Investment Manager's liability to the Company for all matters so delegated shall not be affected thereby and the Investment Manager shall remain liable in respect of losses to the Company resulting from the acts or omissions of any such delegate as if they were the Investment Manager's own acts or omissions.

The Investment Manager and any entity controlled by or under common control with it, currently do not sponsor and shall not raise or sponsor any new investment fund, company or investment vehicle (private or public) which targets as its primary investment category investments in primary target investments, it being understood that no such fund, company or investment vehicle shall be prohibited from investing in primary target investments.

The Investment Management Agreement was originally executed by the Company, Cheyne Capital Management Limited ("**CCML**") and Trebuchet Finance Limited. Pursuant to an agreement dated 29 December 2006, CCML transferred by way of novation the benefit and burden of its rights and obligations under the Investment Management Agreement to the Investment Manager with the consent of the Company and Trebuchet Finance Limited in connection with the Investment Manager's conversion into a limited liability partnership structure. The terms of the Investment Management Agreement were amended pursuant to a side letter entered into between the parties on 16 October 2013. The parties then entered into a deed of amendment and restatement dated 10 March 2015 pursuant to which Trebuchet Finance Limited ceased to be a party to the Investment Management Agreement.

The Investment Management Agreement is governed by English law.

9.2 **Administration Agreement**

The Company and the Investment Manager are parties to an Administration Agreement with Citco Fund Services (Guernsey) Limited dated 28 February 2019 (as amended from time to time) pursuant to which the Administrator provides for the day-to-day administration of the Company, including maintenance of accounts.

For the provision of services under the Administration Agreement, the Administrator is entitled to receive from the Company an administration fee, calculated on the following basis:

- 8 basis points per annum of Net Asset Value in respect of the Net Asset Value up to and including £250 million; and
- thereafter, 6 basis pointer per annum of Net Asset Value in respect of the Net Asset Value in excess of £250 million.

The Administration Agreement may be terminated by any party giving not less than 90 days' notice in writing to the other parties. The Administration Agreement may be terminated immediately in the following circumstances:

- (A) by any party if another party commits any material breach of its obligations under the Administration Agreement and fails to remedy such breach (if capable of remedy) within thirty days of receipt of notice from the non-defaulting party requiring it to do so;
- (B) by any party if another party goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the other party) or if a receiver is appointed over any assets of the other party;
- (C) by the Administrator if the Investment Manager is no longer serving as the manager of the Company's assets and the successor manager is not acceptable to the Administrator in its sole discretion;
- (D) by the Administrator if the Company or the Investment Manager or any principal or affiliate of the Company or the Investment Manager is or becomes subject to any investigation or proceeding of any regulatory body in any applicable jurisdiction having jurisdiction over any such entity or person (as the case may be), (other than any audit, examination or inquiry of a routine nature by any taxation, regulatory or self-regulatory agency), or any other event occurs in relation to the Company or the Investment Manager or any such principal of the Company or the Investment Manager in circumstances where the Administrator in its reasonable opinion determines that its continued provision of all or any of the services under the Administration Agreement could reasonably be expected to have a material adverse effect on the business or reputation of the Administrator or any of its affiliates;
- (E) by the Company if the Investment Manager directs the Company to terminate the Administration Agreement in circumstances where the Investment Manager is directed to do so by the FCA or following a request from the Company or the Investment Manager that the Administration Agreement should be terminated by it due to regulatory or legal obligations to which it is subject;
- (F) by the Company if the Administrator is no longer permitted to perform the services or any of them by a regulatory authority;
- (G) by the Company if the Investment Manager directs the Company to terminate the Administration Agreement on the basis that the Investment Manager can no longer comply with AIFM Directive due to a breach by the Administrator of its obligations under the Administration Agreement; or
- (H) by any party if it is or becomes unlawful for the other party to carry on its business.

The termination of the Administrator's appointment may not take effect until a new administrator has been appointed to the Company.

The Company agrees to indemnify and keep indemnified the Administrator from and against any claims which may be imposed on, incurred by or asserted against it howsoever arising (other than by reason of negligence, fraud or wilful misconduct on the part of the Administrator) in connection with the provision of the services under the Administration Agreement.

The Administration Agreement is governed by Guernsey law.

9.3 **Company Secretary Agreement**

The Company is party to a Company Secretary Agreement with the Company Secretary, dated 13 February 2019 (as amended from time to time) pursuant to which the Company Secretary provides company secretarial services to the Company, including the preparation and maintenance of such books, records and accounts as necessary. The Company Secretary is entitled to receive a fixed annual fee from the Company for these services of £75,000 (payable quarterly in arrears), with certain additional fees being payable for ad hoc services provided by the Company Secretary.

The Company Secretary Agreement may be terminated by any party giving not less than four months' notice in writing to the other parties. The Company Secretary Agreement may be terminated immediately upon notice if:

- 9.3.1 the other party becomes insolvent or going into liquidation (other than a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the relevant parties) or a receiver being appointed in respect of any of its assets or if some event having equivalent effect occurs;
- 9.3.2 the other party commits a material breach of the Company Secretary Agreement and, if such breach is capable of remedy, the defaulting party not making good such breach within thirty days of service upon the defaulting party of a notice requiring it to remedy such breach;
- 9.3.3 the Company Secretary ceases to be permitted or qualified under applicable law or its internal risk management policies to provide the company secretarial services or a condition being attached to any regulatory licence or permission held by the Company Secretary; or
- 9.3.4 the occurrence of a force majeure event, as outlined in the Company Secretary Agreement.

The aggregate liability of the Company Secretary is subject to an overall cap. The Company has indemnified the Company Secretary's group from and against any liability, loss, damage, cost, charge or expense (or any action, investigation or other proceedings in respect thereof) which it incurs or which may be made against it as a result of its proper performance of the services performed by the Company Secretary, other than any liability which cannot lawfully be excluded or which arises from their fraud, bad faith, wilful misconduct or negligence.

The Company Secretary Agreement is governed by Guernsey law.

9.4 **Placing Agreement**

The Company is a party to the Placing Agreement dated 21 February 2020 between the Company, the Investment Manager, the Directors and Liberum pursuant to which, subject to certain conditions, Liberum has conditionally agreed to use reasonable endeavours to procure subscribers for New Ordinary Shares at the Placing Price.

The Company has appointed Liberum as the sponsor and bookrunner to the Company in connection with the Placing Programme. The Company may appoint an additional bookrunner pursuant to the terms of the Placing Agreement and, if appointed, any such additional bookrunner will be required to become a party to the Placing Agreement pursuant to a deed of adherence.

The Placing Agreement may be terminated by Liberum (and, if appointed, any additional bookrunner) in certain customary circumstances prior to Admission.

The obligation of Liberum (and, if appointed, any additional bookrunner) to use its reasonable endeavours to procure subscribers for New Ordinary Shares pursuant to the Placing Programme is conditional upon certain conditions that are typical for an agreement of this nature. The conditions include, *inter alia*:

- 9.4.1 the representations and warranties on the part of the Company and the Investment Manager being true and accurate in all material respects and not misleading on and as of the date of the Placing Agreement, immediately before the release of any public or press announcement in connection with any Placing, including any press announcement giving details of the results of any Placing, on the issue of any Supplementary Prospectus and on each Admission;
- 9.4.2 the Required Resolution having been passed without amendment;
- 9.4.3 Admission taking place not later than the closing date of the Placing Programme, being 20 February 2021; and
- 9.4.4 the Placing Agreement not having been terminated before the first Admission pursuant to its terms.

In consideration for the bookrunner services in relation to the Placing Programme, Liberum (and, if appointed, any additional bookrunner) will be entitled to receive fees and placing commission on a

variable basis dependent on the eventual number of New Ordinary Shares that are issued under the Placing Programme. Assuming that the maximum number of New Ordinary Shares are issued under the Placing Programme at an issue price of 166.0 pence (being the NAV per Ordinary Share as at 31 January 2020), the maximum amount of the placing commission would be £3.7 million.

The Company, the Directors and the Investment Manager have given certain warranties and the Company and the Investment Manager have given certain indemnities to Liberum concerning, *inter alia*, the accuracy of the information contained in this Prospectus. The warranties given by the Company, the Directors and the Investment Manager and the indemnities given by the Company and the Investment Manager are standard for an agreement of this nature. If an additional bookrunner is appointed, such warranties and indemnities will also be extended to such additional bookrunner.

The Placing Agreement is governed by English law.

9.5 **Depositary Agreement**

The Company has entered into the Depositary Agreement with The Bank of New York Mellon (International) Limited dated 27 February 2019, pursuant to which The Bank of New York Mellon (International) Limited has been appointed as Depositary to the Company.

For provision of the depositary services, the Depositary receives an annual fee of £20,000. The Depositary is also entitled to be reimbursed by the Company for expenses incurred on behalf of the Company by the Depositary in the proper performance of its duties under the Depositary Agreement.

Either party may terminate the Depositary Agreement by giving not less than 90 days' written notice to the other party.

In addition, the Depositary Agreement may be terminated by either party giving notice in writing to the other party if at any time:

- 9.5.1 another party has become subject to bankruptcy, insolvency or similar procedures;
- 9.5.2 another party has ceased to be licensed for its activity hereunder or ceased to have approval(s) by applicable governmental institutions that are required for its activities; or
- 9.5.3 another party has materially defaulted on its obligations under the Depositary Agreement and such default was not remedied within two (2) weeks following notice from another party (or following such other time period as may have been agreed between the parties).

The Depositary Agreement contains customary indemnity provisions from the Company in favour of the Depositary and its employees, officers and directors from any and all reasonable costs, liabilities and expenses properly incurred and resulting directly from the fact that the Depositary, or employees, officers and directors of the Depositary acting on behalf of the Depositary, have acted under the Depositary Agreement as agent of the Company in accordance with authorised instructions.

The Depositary Agreement is governed by the laws of England.

10. **Investment Restrictions**

The Company will only invest in accordance with its Investment Objective and Policy. In order to comply with the requirements of the FCA and other regulatory bodies the Company undertakes to comply with the following restrictions for so long as they are requirements of the FCA or other regulatory bodies:

- not more than 10 per cent., in aggregate, of the value of the total assets in the Company's portfolio of assets may be invested in other listed investment companies (including listed investment trusts) except that this restriction shall not apply to investments in investment companies or investment trusts which themselves have stated investment policies to invest no more than 15 per cent. of their total assets in other listed investment companies (including listed investment trusts);
- it will not conduct a trading activity which is significant in the context of its Group as a whole; and
- 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 Objective and Policy.

In the event of any breach of investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Investment Manager by an announcement issued through an RIS or a notice sent to Shareholders at their registered address.

The Company will comply with the investment restrictions as set out above for so long as they remain requirements of the FCA.

11. The City Code on Takeovers and Mergers

Mandatory Bid

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if:

- any person acquires, whether by a series of transactions over a period of time or otherwise, an interest in Shares which, when taken together with Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- any person, together with persons acting in concert with him, is interested in Shares which in the aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold Shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other Shares which increases the percentage of Shares carrying voting rights in which he is interested,

such person would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash or cash alternative offer for the outstanding Shares at a price not less than the highest price paid for any interests in the Shares by the person or their concert parties during the previous 12 months. Such an offer must only be conditional on:

- the person having received acceptances in respect of Shares which (together with Shares already acquired or agreed to be acquired) will result in the person and any person acting in concert with him holding Shares carrying more than 50 per cent. of the voting rights; and
- no reference having been made in respect of the offer to the Competition and Markets Authority by either the first closing date, or the date when the offer becomes or is declared unconditional as to acceptances, whichever is the later.

Compulsory Acquisition

Under sections 974 to 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the Shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding Shares not assented to the offer. It would do so by sending a notice to the other holders of Shares telling them that it will compulsorily acquire their Shares and then, six weeks later, it would execute a transfer of the outstanding Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of those Shares subject to the transfer. The consideration offered to the holders whose Shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the Shares (in value and by voting rights, pursuant to a takeover offer that relates to all the Shares in the Company) to which the offer relates, any holder of Shares to which the offer relates who has not accepted the offer may require the offeror to acquire his Shares on the same terms as the takeover offer.

The offeror would be required to give any holder of Shares notice of his right to be bought out within one month of that right arising. Such sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of Shares notifying them of their sell-out rights. If a holder of Shares exercises its rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

12. Corporate Governance

The Listing Rules require that the Company must “comply or explain” against the UK Code. In addition, the DTRs 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 Company is also subject to the Finance Sector Code of Corporate Governance published by the GFSC in September 2011 and which came into effect on 1 January 2012 (the “**Code**”) and amended on 18 February 2016. Companies which report against the UK Code are deemed to meet the requirements of the Code. Since the Company reports against the UK Code, it complies with the requirements of the Code.

The Board of the Company has also considered the principles and recommendations of the AIC Code of Corporate Governance for member companies, a framework of best practice for member companies (the “**AIC Code**”), by reference to the AIC Guide for Investment Companies (the “**AIC Guide**”). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), provides better information to shareholders.

The Directors recognise the value of the UK 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 AIC Code and the UK Code. Save for departing from the requirements to have: (i) a chief executive (since the Company will not have any executive Directors); (ii) a Remuneration Committee (as the Company does not and currently intends not to have any executive directors or employees); and (iii) an internal audit function (as the Company relies on the audit functions of its suppliers and Investment Manager), there are no other departures from the AIC Code or UK Code.

In accordance with the AIC Code and the UK Code, the Board has established an audit committee and a nomination committee with formally delegated duties and responsibilities within written terms of reference.

13. Directors’ Share Dealings

The Directors will comply with the Market Abuse Regulation in relation to their dealings in Ordinary Shares. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Market Abuse Regulation by the Directors.

14. Litigation

In the 12 months immediately preceding the date of this Prospectus there have been 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 had in the recent past significant effects on the Company’s financial position or profitability.

15. Working Capital

The Company is of the opinion that it has sufficient working capital for its present requirements, that is, for at least 12 months from the date of this Prospectus.

16. General

16.1 It is not possible to ascertain the exact costs and expenses of the Placing Programme. However, assuming the Placing Programme is fully subscribed and therefore the maximum of 150 million New Ordinary Shares are issued pursuant to the Placing Programme, the Gross Placing Proceeds would be approximately £249 million and the expenses payable by the Company would be approximately £4.6 million and the Net Placing Proceeds would be approximately £244.4 million. For the purposes of this Prospectus, the Gross Placing Proceeds are calculated using the 31 January 2020 unaudited Net Asset Value per Ordinary Share of 166.0 pence. The expenses in connection with the Placing Programme will be deducted from the Gross Placing Proceeds, rather than being charged directly to

any investor. Subject to the requirements of the Listing Rules, the Placing Price applicable to each Placing will be no less than the aggregate of the published Net Asset Value per Ordinary Share at the time of issue (after deducting any dividend per Ordinary Share in relation to which the New Ordinary Shares to be issued pursuant to the relevant Placing will not participate and that was declared subsequent to the date at which the relevant Net Asset Value per Ordinary Share was calculated) and such sum as equates to the costs, expenses and commissions attributable to such Placing and may, in the Directors' sole discretion, include a premium.

- 16.2 The Investment Manager may be a promoter of the Company and will or may receive Management Fees and other payments from the Company as described in Part III of this Prospectus. Save as disclosed in this paragraph, no amount or benefit has been paid or given to the Investment Manager by the Company and none is intended to be paid or given.
- 16.3 Deloitte LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and have been the only auditors of the Company since its incorporation.
- 16.4 The Company does not have and does not expect that it will have, nor has it had since its incorporation, any employees and it neither owns nor occupies any premises.
- 16.5 The Company confirms that its typical investors are institutional and other sophisticated or professional investors who wish to invest in a predominantly income-producing investment who are capable themselves of evaluating the merits and risks of the investment and who have sufficient resources both to invest in potentially illiquid securities and to be able to bear any losses (which may equal the whole amount invested) that may result from the investment.
- 16.6 The annual report and accounts of the Company will be for the 12 month period ending 31 March in each year. Copies of the annual audited financial statements will be sent to each Shareholder. It is expected that this will be within four months of the end of the relevant accounting period. In addition, copies of the annual audited financial statements and the semi-annual unaudited interim reports will be made available for inspection at and may be obtained upon request from the registered office of the Company shortly thereafter as well as on the Company's website. These financial statements and reports will contain information as to the Net Asset Value as at their dates.
- 16.7 It is intended that the annual general meeting of the Company will normally be held in September of each year. The annual general meeting of the Company will be held in Guernsey or such other place as may be determined by the Board of Directors. Notices convening the general meeting in each year will be sent to Shareholders (or the applicable class of Shareholders if relevant) at their registered addresses or given by advertisement not later than 21 days before the date fixed for the meeting. Other general meetings may be convened from time to time by the Directors by sending notices to Shareholders at their registered addresses or by Shareholders requisitioning such meetings in accordance with Guernsey law, and may be held in Guernsey or elsewhere.
- 16.8 The Company's Existing Ordinary Shares are listed on the premium segment of the Official List and admitted to trading on the premium segment of the Main Market.
- 16.9 The business address of each of the Directors is the registered office of the Company.
- 16.10 Liberum 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.
- 16.11 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.
- 16.12 Fitch, Moody's and Standard and Poor's are registered in accordance with the CRA Regulation.
- 16.13 Where information contained in this Prospectus has been sourced from a third party, the Company confirms that such information has been accurately reproduced, the source of such information has been identified and, so far as the Company is aware and is able to ascertain from the information

provided by the third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17. Capitalisation and Indebtedness

The following table shows the unaudited capitalisation of the Company as at 30 September 2019 (being the latest practicable date on which the Company has published unaudited interim financial information).

	<i>As at 30 September 2019</i>
	(£)
<i>Shareholders' equity</i>	
Share capital	
Legal and other reserves	329,407,434
Total	<u>329,407,434</u>

Save as disclosed at paragraph 4 above, as at the date of this Prospectus, there has been no significant change in the financial position of the Group since 30 September 2019, being the end of the last financial period for which unaudited interim financial information has been published.

The following table show the Company's gross, unaudited indebtedness as at 31 December 2019 (being the latest practicable date in respect of such information), which has been extracted from the Company's unaudited fact sheet as at 31 January 2020:

	<i>As at 31 January 2020</i>
	(£)
<i>Total current debt</i>	
Guaranteed	Nil
Secured	(95,216,776)
Unguaranteed/unsecured	Nil
	<i>As at 31 January 2020</i>
	(£)
<i>Total non-current debt</i>	
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil

The following table shows the Company's net, unaudited indebtedness as at 31 January 2020 (the latest practicable date for such information):

	<i>As at 31 January 2020</i>
	(£)
A. Cash	34,819,812
B. Cash equivalent	983,661
C. Trading securities	394,457,002
D. Liquidity (A+B+C)	430,260,475
E. Current financial receivable	1,553,971
F. Current bank debt	0
G. Current portion of non-current debt	0
H. Other current financial debt	95,216,776
I. Current financial debt (F+G+H)	95,216,776
J. Net current financial indebtedness (I-E-D)	(336,597,670)
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	0
N. Non-current financial indebtedness (K+L+M)	0
O. Net financial indebtedness (J+N)	(336,597,670)

As at 31 January 2020, the Company had no indirect or contingent indebtedness and nil net indebtedness.

As at 31 January 2020, the Company does not have any bank borrowings or undrawn committed facilities but does have cash of £35.8 million to fulfil its liquidity requirements.

18. Additional AIFM Directive Disclosures

AIFM Directive leverage limits

For the purposes of the AIFM Directive, leverage is required to be calculated using two prescribed methods: (i) the gross method; and (ii) the commitment method; and expressed as the ratio between a fund's total exposure and its net asset value.

As measured using the gross method, the level of leverage to be incurred by the AIFM on behalf of the Company is not to exceed a ratio of 5:1.

As measured using the commitment method, the level of leverage to be incurred by the AIFM on behalf of the Company is not to exceed a ratio of 5:1.

Liquidity risk management

The Company is a closed-ended listed investment company and, as such, shareholders in the Company have no right to redeem their shares. Any redemption offered to shareholders shall be at the discretion of the directors of the Company.

The Company will put to Shareholders a Continuation Resolution at the annual general meeting of the Company to be held in 2021 and at every fourth annual general meeting thereafter, that the Company continue its business as a closed-ended investment company. If the Continuation Resolution is not passed, the Company will be wound up, resulting in the liquidation of the portfolio of the Company and distribution of the proceeds to shareholders. This is different from redemptions during the life of the Company and therefore not a relevant consideration when assessing liquidity risk for the Company.

Liquidity risk is therefore the risk that a position held by the Company cannot be realised at a reasonable value sufficiently quickly to meet the obligations (primarily debt) of the Company as they fall due.

In managing the Company's assets therefore the Manager seeks to ensure that the Company holds at all times a sufficient portfolio of assets listed on recognised investment exchanges to enable it to discharge its payment obligations.

Fair treatment of Shareholders

As a company with Shares listed on the FCA's Official List, the Company will be required to treat all Shareholders of a given class equally.

19. UK Rules on Marketing of Pooled Investments

The FCA Handbook contains rules restricting the marketing within the UK of certain pooled investments or 'funds', referred to in the FCA Handbook as non-mainstream pooled investments (NMPs), to 'ordinary retail clients'. These rules took effect on 1 January 2014. The Company currently conducts its affairs such that its Shares are excluded from the FCA's restrictions which apply to NMP products because the Shares are shares in an investment company which, if it were domiciled in the United Kingdom, would currently qualify as an "investment trust".

20. Historic MAR Disclosures

In the 12 months prior to the date of this Prospectus, the Company has made announcements pursuant to the Market Abuse Regulation which related to the following topics:

Dividends

The Company made five announcements relating to the payment of quarterly dividends, details of which are outlined below:

- on 22 February 2019, the Company announced an interim dividend of 3.0 pence per share, which was paid on 29 March 2019;
- on 24 June 2019, the Company announced an interim dividend of 3.0 pence per share, which was paid on 26 July 2019;

- on 8 August 2019, the Company announced an interim dividend of 3.0 pence per share, which was paid on 6 September 2019; and
- on 29 November 2019, the Company announced an interim dividend of 3.0 pence per share, which was paid on 3 January 2020.

Share Issuance

The Company made two announcements relating to the issuance of new Ordinary Shares made pursuant to the 2018 Placing Programme, and one announcement relating to the issuance of new Ordinary Shares made pursuant to the Company's existing and granted authorities, the details of which are outlined below:

- on 24 May 2019, the Company announced that it raised gross proceeds of £78 million through the issue of 45,882,353 new Ordinary Shares at placing price of 170 pence per share;
- on 1 October 2019, the Company announced that it raised gross proceeds of £17 million through the issue of 10,208,480 new Ordinary Shares at placing price of 167 pence per share; and
- on 4 February 2020, the Company announced that it had raised gross proceeds of £33.5 million through the issue of 19,920,363 new Ordinary Shares at a placing price of 168 pence per share, made pursuant to the Company's general authority to allot and issue equity securities on a non-pre-emptive basis pursuant to the authority granted to the Directors by an extraordinary resolution of the Shareholders passed at the Company's annual general meeting held on 17 September 2019.

PDMR dealings

The Company made three announcements, pursuant to the PDMR disclosure regime under MAR, relating to the following acquisitions of Ordinary Shares by its Directors:

- on 24 May 2019, one of the Directors, John Hallam, acquired 20,000 new Ordinary Shares at a price of 170 pence per share; and
- on 6 July 2019, one of the Directors, Bob Cowdell, acquired 26,000 new Ordinary Shares at a price of 168.99 pence per share; and
- on 8 July 2019, one of the Directors, Bob Cowdell, acquired 29,000 new Ordinary Shares at a price of 169.84 pence per share.

Quarterly Investor Presentations

The Company announced the publication of investor presentations on a quarterly basis in the previous 12 months prior to the date of this Prospectus on the following dates:

- 24 January 2020 – Q3 investor presentation;
- 7 November 2019 – Q2 investor presentation; and
- 8 August 2019 – Q1 investor presentation.

Each of the investor presentations were deemed to contain inside information and, accordingly, the announcement of the publication was made pursuant to MAR.

Monthly Factsheets

The Company announced the publication of monthly factsheets for each of the months over the previous 12 months to the date of this Prospectus, each of which factsheets were deemed to contain inside information and, accordingly, the announcement of their publication was made pursuant to MAR.

Other Corporate Actions

The Company also announced the happening of certain ordinary course corporate actions such as the publication of its annual and half-yearly financial reports, the publication of the notice of AGM and the results of such AGM.

On 27 February 2019, the Company announced that it had changed certain of its service providers with effect from 1 March 2019; as follows:

- Citco Fund Services (Guernsey) Limited will be appointed as designated manager and administrator (replacing State Street (Guernsey) Limited and State Street Fund Services (Ireland) Limited);
- Aztec Financial Services (Guernsey) Limited will be appointed to provide corporate secretarial services (replacing State Street (Guernsey) Limited who had carried out this role in its previous capacity as administrator); and
- The Bank of New York Mellon (International) Limited will be appointed as depositary (replacing State Street Custody Services (Guernsey) Limited).

21. Documents available for inspection

Copies of the following documents are available for inspection at the offices of the Investment Manager and at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus until Admission of the New Ordinary Shares issued pursuant to the final Placing of the Placing Programme:

- the Memorandum and Articles of Incorporation of the Company;
- the audited report and accounts for the Reporting Period;
- the Circular; and
- this Prospectus.

In addition, copies of this Prospectus are available, for inspection only, from the National Storage Mechanism (<http://www.hemscott.com/nsm.do>).

Further copies of this Prospectus may be obtained, free of charge, from the registered office of the Company and from the Investment Manager. The documents listed above will also be available at the Company's website, www.recreditinvest.com.

21 February 2020

DEFINITIONS AND GLOSSARY

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

1957 Law	the Judgments (Reciprocal Enforcement) (Guernsey) Law 1957
2010 PD Amending Directive	Directive 2010/73/EU
2017 Placing Programme	the placing programme for up to 65 million Ordinary Shares commenced by the Company on 23 February 2017
2018 Placing Programme	the placing programme for up to 100 million Ordinary Shares commenced by the Company on 2 November 2018
ABS	asset-backed securities which are debt securities which have their interest and principal repayments sourced principally from a generic group of income producing assets
Adjusted Performance NAV	as defined in the section entitled “ <i>Performance Fee</i> ” in Part III of this Prospectus
Administration Agreement	the administration agreement between the Company and the Administrator dated 28 February 2019 (as amended from time to time)
Administrator	Citco Fund Services (Guernsey) Limited
Admission	admissions of the New Ordinary Shares issued pursuant to Placings under the Placing Programme to the premium segment of the Official List and to trading on the premium segment of the Main Market and such admissions becoming effective
Affiliate	(i) an affiliate of, or person affiliated with, a specified person; or (ii) 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
AIC Code	the AIC’s Code of Corporate Governance, as amended from time to time
AIFM	an alternative investment fund manager for the purposes of the AIFM Directive
AIFM Directive	Directive 2011/61/EU on Alternative Investment Fund Managers adopted on 11 November 2010
Articles or Articles of Incorporation	the Articles of Incorporation of the Company in force from time to time
BEPS	base erosion and profit sharing
Board of Directors or Board	the board of directors of the Company
Brexit	the withdrawal of the United Kingdom from the European Union
Business Day	any day (other than a Saturday or a Sunday) on which commercial banks are open for general business in London and Guernsey
Cell	the cell of the Company in which certain assets were held on a segregated basis while the Company was a PCC

Cell Shares	Ordinary Shares in the capital of the Cell
Cheyne Capital	Cheyne Capital Management (UK) LLP
Circular	the circular issued by the Company in connection with the EGM
City Code	The City Code on Takeovers and Mergers
CMBS	commercial mortgage-backed securities, being interests in or obligations secured by a commercial mortgage loan or a pool of commercial mortgage loans
Code	the Finance Sector Code of Corporate Governance published by the GFSC in September 2011
Companies Act	the United Kingdom Companies Act 2006 (as amended)
Companies Law	the Companies (Guernsey) Law, 2008 (as amended)
Company	Real Estate Credit Investments Limited and, where relevant, its subsidiaries and subsidiary undertakings
Company Secretary	Aztec Financial Services (Guernsey) Limited
Company Secretary Agreement	the company secretary agreement between the Company and the Company Secretary dated 13 February 2019 (as amended and restated from time to time)
Continuation Resolution	as defined in the section entitled “ <i>Continuation Resolution</i> ” in Part I of this Prospectus
Contract Note	the contract note as described in paragraph 2.2 of Part VII of this Prospectus
Core	the core segment of the Company, in which the Core Assets were held while the Company was a PCC
Core Assets	the assets that were held in the Investment Portfolio of the Core while the Company was a PCC
Core Shares	Ordinary Shares in the capital of the Core
CRA Regulation	Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended by Regulation (EU) No. 513/2011 of the European Parliament and of the Council of May 11, 2011, and by Regulation (EU) No. 462/2013 of the European Parliament and of the Council of May 21, 2013
CRE	commercial real estate
CREST	the relevant system as defined in the CREST Regulations in respect of which Euroclear is operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
CRS	the Organisation for Economic Co-operation and Development’s “Common Reporting Standard”

Current Performance Period	as defined in the section entitled “ <i>Performance Fee</i> ” in Part III of this Prospectus
Data Protection Laws	means the GDPR and any associated code, regulation or guidance (as may be amended or replaced from time to time), the DP Law, any successor legislation thereto and any related regulations and guidance
Default Shares	Ordinary Shares in respect of which the Company has requested disclosure of the identity of any person (other than the Shareholder) who has an interest in such Ordinary Shares and the nature of such interest and the requested information has not been supplied to the Company within the prescribed period in accordance with the Company’s Articles
Defaulting Shareholder	a Shareholder who, having been requested to do so by the Directors, fails to provide certain information regarding the interests of other persons in the Ordinary Shares held by that Shareholder
Depository	The Bank of New York Mellon (International) Limited
Depository Agreement	the depository agreement between the Company and the Depository dated 27 February 2019 (as amended from time to time)
Directors	the directors of the Company from time to time
Disclosure Guidance and Transparency Rules or DTRs	the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA
DP Law	the Data Protection (Bailiwick of Guernsey) Law 2017, as such may be varied, amended or replaced from time to time
EEA	the European Economic Area, including the United Kingdom
EGM or Extraordinary General Meeting	the extraordinary general meeting of the Company to be held on 10 March 2020 at which the Required Resolution will be put to the Existing Ordinary Shareholders for approval
ERISA	the US Employee Retirement Income Security Act of 1974
EURIBOR	Euro Inter-bank Offered Rate
Euro or € or EUR	the lawful single currency of member states of the European Communities that adopt or have adopted the Euro as their currency in accordance with the legislation of the European Union relating to European Monetary Union
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
EU	the European Union
EU Savings Directive	EU Savings Directive (2003/48/EC)
Excluded Territories and each an Excluded Territory	Australia, Canada, South Africa or Japan and any other jurisdiction where the extension or availability of the Placing Programme would breach any applicable law
Existing Ordinary Shareholders	the holders of Existing Ordinary Shares
Existing Ordinary Shares	the Ordinary Shares in issue as at the date of this Prospectus

Extraordinary Resolution	a resolution passed by a majority of not less than 75 per cent. of the Existing Ordinary Shareholders present and voting in person or by proxy
FATCA	Sections 1471 through 1474 of the US Tax Code
FATCA Withholding	as defined in the section entitled " <i>The Foreign Account Tax Compliance Act</i> " in the part entitled " <i>Risk Factors</i> "
FATF	the Financial Action Task Force
Financial Conduct Authority or FCA	the Financial Conduct Authority, including any successor thereof, acting in its capacity as the competent listing authority for the purposes of Part VI of FSMA
FSMA	the Financial Services and Markets Act 2000, as amended
GBP or Sterling or £	the lawful currency of the United Kingdom
GDPR	Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data
GFSC	the Guernsey Financial Services Commission
Gross Placing Proceeds	the aggregate value of the New Ordinary Shares issued under the Placing Programme at the Placing Price
Group	the Company and any other consolidated subsidiaries of the Company from time to time
Guernsey AML Requirements	the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), ordinances, rules and regulations made thereunder, and the Guernsey Financial Services Commission's Handbook for Financial Services Business on Countering Financial Crime and Terrorist Financing (as amended)
Guernsey CRS Legislation	the US-Guernsey IGA
Hurdle Assets	as defined in the section entitled " <i>Performance Fee</i> " in Part III of this Prospectus
Investment Management Agreement	the current investment management agreement, entered into between, <i>inter alia</i> , the Manager and the Company originally dated 8 December 2005 (as amended and restated from time to time), and to which other special purpose vehicles may, if so required, become party in the future pursuant to a deed of adherence
Investment Management Team	the investment management team of Cheyne Capital as further described in the section entitled " <i>Management of the Company's Assets</i> " in Part III of this Prospectus
Investment Manager	Cheyne Capital Management (UK) LLP, a limited liability partnership incorporated in England (registered number OC321484). The address of the registered office of the Investment Manager is set out in the " <i>Corporate Information</i> " section of this Prospectus
Investment Objective and Policy	the investment objective and policy of the Company, as set out in the section entitled " <i>Investment Objective and Policy</i> " in Part I of this Prospectus

Investment Portfolio	the total assets of the Company which, when taken together, at any time, may include the ABS, MBS, RMBS, CMBS or other investments, rights to investments, instruments and securities in which the Company's assets are invested from time to time
Latest Practicable Date	19 February 2020, being the date falling two Business Days prior to the publication of this Prospectus
Liberum	Liberum Capital Limited
LIBOR	London Inter-bank Offered Rate
Listing Rules	the listing rules made by the Financial Conduct Authority for the purposes of Part VI of FSMA
London Stock Exchange	London Stock Exchange plc
LTV	loan to value
Main Market	the London Stock Exchange's regulated market for securities admitted to trading
Management Fee	the management fee payable by the Company to the Investment Manager in accordance with the terms of the Investment Management Agreement
Market Abuse Regulation or MAR	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and repealing the Directive of the European Parliament and of the Council of 28 January 2003 and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
MBS	has the meaning given in the section entitled " <i>Investment Objective and Policy</i> " in Part I of this Prospectus
Memorandum or Memorandum of Incorporation	Memorandum of Incorporation of the Company in force from time to time
MiFID II	EU Directive 2014/65/EU on markets in financial instruments, as amended
MiFID II Product Governance Requirements	the product governance requirements contained within: (a) MiFID II; (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures
Money Laundering Directive	the Money Laundering Directive (2005/60/EC of the European Parliament)
Net Asset Value	the aggregate net asset value of the Company, calculated in accordance with the Company's accounting policies and published in the Company's latest factsheet
Net Asset Value per Ordinary Share	the Net Asset Value divided by the number of Ordinary Shares in issue
Net Placing Proceeds	the Gross Placing Proceeds less applicable fees and expenses of the Placing Programme
New Ordinary Shares	the Ordinary Shares to be issued pursuant to the Placing Programme

Next Performance Period	as defined in the section entitled “ <i>Performance Fee</i> ” in Part III of this Prospectus
Non-Qualified Holder	any person, as determined by the Directors, to whom a sale or transfer of Shares, or in relation to whom the holding of Shares (whether directly or indirectly affecting such person, and whether taken alone or in conjunction with other persons, connected or not, or any other circumstances appearing to the Directors to be relevant): (a) would or could be in breach of the laws or requirements of any jurisdiction or governmental authority; (b) might result in the Company incurring a liability to taxation; or (c) would or could (i) cause the Company’s assets to be deemed “plan assets” for the purpose of the US Employee Retirement Income Security Act of 1974, as amended (“ ERISA ”) or the US Tax Code; (ii) cause the Company to be required to register as an “investment company” under the US Investment Company Act (including because the holder of the shares is not a “qualified purchaser” as defined in Section 2(a)(51) of the US Investment Company Act and the related rules and regulations thereunder) or to lose an exemption or status thereunder to which it might otherwise be entitled; (iii) cause the Company to have to register under the US Exchange Act of 1934, as amended (the “ US Exchange Act ”), or any similar legislation; (iv) cause the Company not to be considered a “foreign private issuer” as such term is defined in Rule 3b-4(c) under the US Exchange Act; (v) 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; or (vi) cause the Company to be a “controlled foreign corporation” for the purposes of the US Tax Code
Official List	the list maintained by the FCA pursuant to Part VI of FSMA
Order	the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005
Ordinary Resolution	under the Companies Law, a resolution passed by more than 50 per cent. of the Existing Ordinary Shareholders present and voting in person or by proxy
Ordinary Shareholders	holders of Ordinary Shares
Ordinary Shares	ordinary shares in the capital of the Company
Panel on Takeovers and Mergers	the UK Panel on Takeovers and Mergers, which operates the City Code
PCC	Protected Cell Company
PDMR	persons discharging managerial responsibility, as defined in MAR
Performance Fee	as defined in the section entitled “ <i>Performance Fee</i> ” in Part III of this Prospectus
Performance Period	as defined in the section entitled “ <i>Performance Fee</i> ” in Part III of this Prospectus
Placees	those investors participating in the Placing Programme
Placing	any placing of New Ordinary Shares to one of more investors pursuant to the Placing Programme

Placing Agent	Liberum or, as the context may require, any additional bookrunner appointed by the Company, in accordance with the relevant terms of the Placing Agreement (as such are more fully described in paragraph 9 of Part VIII of the Prospectus), to procure Placees
Placing Agreement	the placing agreement between the Company and Liberum as more fully described in paragraph 9 of Part VIII of the Prospectus
Placing Document	the prospectus or any other offering, marketing or other material in connection with the Placing
Placing Price	the price at which the New Ordinary Shares will be issued pursuant to a Placing to Placees, being such price as shall be determined by the Directors, as discussed further in the section entitled “ <i>Placing Price</i> ” in Part VI of this Prospectus
Placing Programme	the proposed programme of Placings of, in aggregate, up to 150 million New Ordinary Shares as described in this Prospectus
Placing Programme Terms and Conditions	the terms and conditions of each Placing set out in Part VII of this Prospectus on which Placees agree to subscribe for New Ordinary Shares under the Placing Programme
Plan Assets Regulation	means the regulations issued by the US Department of Labor at Section 2510.3-101 of Part 2510 of Chapter XXV, Title 29 of the US Code of Federal Regulations, as modified by Section 3(42) of ERISA
Preference Shares	redeemable shares of no par value in the capital of the Company designated as Preference Shares
Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
Prospectus Regulation Rules	the prospectus rules made by the Financial Conduct Authority for the purposes of Part VI of FSMA
Real Estate Credit Investments	as defined in the section entitled “ <i>Investment Objective and Policy</i> ” in Part I of this Prospectus
Register of Members	the register of members of the Company
Registrar	Link Market Services (Guernsey) Limited
Registrar Agreement	the registrar agreement between the Company and the Registrar dated 1 April 2018
Regulation S	Regulation S under the US Securities Act
Relevant Member State	any Member State of the European Economic Area which is bound by the Prospectus Regulation
Reporting Period	the financial year ended 31 March 2019 and the half-yearly financial period ended 30 September 2019
Required Resolution	a shareholder resolution to be proposed at the EGM, as described in the section entitled “ <i>Shareholder Resolution in Connection with the Placing Programme</i> ” in Part I of this Prospectus

Residual Income Positions	assets which were previously held in the Investment Portfolio which were subordinated tranches of ABS that were, in most cases, unrated and, in many cases, represented the residual income typically retained by the originator of an MBS as the “equity” or “first loss” position
Restricted Jurisdiction	the United States, any member state of the EEA (other than the United Kingdom), Australia, Canada, South Africa or Japan
Restriction	as defined in the section entitled “ <i>Issue of Shares</i> ” in Part VIII of the Prospectus
RIS	a service authorised by the FCA to release regulatory announcements to the London Stock Exchange
RMBS	residential mortgage-backed securities, being interests in or obligations secured by pools of residential mortgage loans
Rules	the Registered Collective Investment Scheme Rules 2018 issued by the Guernsey Financial Services Commission
RWAs	as defined in the section entitled “ <i>UK Commercial Real Estate Finance</i> ” in Part II of this Prospectus
SDRT	stamp duty reserve tax
SEC	the US Security and Exchange Commission
Shareholders	the holders of Shares
Shares	the Existing Ordinary Shares and/or the New Ordinary Shares (as appropriate)
Special Resolution	under the Companies Law, a resolution passed by a majority of not less than 75 per cent. of the Existing Ordinary Shareholders present and voting in person or by proxy
SPV	special purpose vehicle
Starting Date	as defined in the section entitled “ <i>Performance Fee</i> ” in Part III of this Prospectus
Supplementary Prospectus	a supplement to the Prospectus produced in accordance the Prospectus Regulation Rules
Total Assets	the sum of all investments held in the Investment Portfolio including cash and cash equivalents, derivatives and other assets
UK Code	the UK Corporate Governance Code as published by the Financial Reporting Council
UK Transfer Agent	Link Market Services Limited
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
US-Guernsey IGA	the intergovernmental agreement entered into between Guernsey and the United States on 13 December 2013

US Investment Company Act	the US Investment Company Act of 1940, as amended
US Person	“U.S. person” within the meaning given to it in Regulation S under the US Securities Act
US Securities Act	the US Securities Act of 1933, as amended
US Tax Code	the US Internal Revenue Code of 1986, as amended
US\$ or \$	the lawful currency of the United States of America
Western Europe	means Andorra; Austria; Belgium; Denmark; Finland; France; Germany; Gibraltar; Guernsey; Iceland; Ireland, Isle of Man; Italy; Jersey; Liechtenstein; Luxembourg; Monaco; the Netherlands; Norway; Portugal; San Marino; Spain; Sweden; and Switzerland

