

Dear Investors, Colleagues and Partners,

As global markets continue to grapple with the social and economic disruptions of COVID-19, we would like to provide you with an update on the actions we have taken to-date across the Firm and our funds.

Within Tradable Credit, our investment team has long been concerned about the diminished capacity of dealers to absorb shocks due to much smaller inventory, the prevalence of ETFs and “liquid” funds in the market which could be subject to large redemptions, and single name dispersion in the Corporate HY market.¹ Even when global markets entered the new decade with a very strong start for risky assets, we have been cautious about known and unknown geopolitical and other events which could tip the markets into our tail “Double Red Pill” scenario (as described in our 2020 Annual Letter), deteriorating the credit matrix with higher risk of a recession happening.

Against this backdrop, the team has always been focussed on buying cheap convexity where appropriate and where the mandate permits, as well as keeping laser focus on liquidity to provide investors with much-needed protection against surprises. As volatility and dispersion is expected to continue for some time, our disciplined fundamental long/short dynamic approach, coupled with convexity, should allow us to generate alpha whilst protecting the downside. For example, our short bias strategy, implemented since 2015, has been able to manage the tail scenario for our clients. Our capability has been further enhanced by our proprietary risk system (Clark), which enables the independent risk and investment teams to monitor the funds’ profile in real-time and adjust the sensitivity of our funds as fast as possible. As experienced in the last financial crisis, outsized investment opportunities often arise at times of market panic and the team stands ready and equipped to capture them when they arise.

Within Private Credit and Leveraged Finance, in addition to the portfolio reviews which the risk and investment teams conduct on a regular basis, all investments have been scanned to assess their potential exposure to the spill over effect from COVID-19 and the team has been engaging with our borrowers/issuers to understand dynamics of business evolution and recovery. Within Private Credit, our focus on Specialty Finance loans, which are mostly asset-backed transactions with self-amortising features or short duration, should make transactions more resilient than traditional EV-based direct lending, especially in a downturn. In addition, our risk team has further stress tested the portfolios and developed an internal COVID-19 risk score for countries and sectors to which the funds are exposed. For each transaction, the risk team considers the economic implications of COVID-19 on a certain sector and country, as well as each deal’s structure, covenants and other security features.

Chenavari places the safety and wellbeing of our employees, business partners and clients at the highest priority. We have been monitoring the World Health Organisation and each of our offices’ national government advice closely. Chenavari’s Business Continuity Planning (BCP) team regularly meets to ensure we are prepared to deal effectively with the situation and remain operational in a variety of potential scenarios to help mitigate the risks of COVID-19. This includes the development of high-level staff communication and

¹ Chenavari Investment Managers, Annual Letters, 2018 & 2020

education, response plans, ensuring our IT infrastructure and internal processes can effectively support secure remote working, reviewing travel plans, communication and support to staff and relevant parties.

We have been closely monitoring all employees' travel and asked them to inform Human Resources if they have recently returned from the identified high-risk countries or plan to travel to those countries in the short-term.

As new cases emerge, government and central banks' responses will continue to have further implications for our funds and strategies. Our investment and risk teams continue to closely monitor the complex and fluid developments and we will keep our investors informed where appropriate.

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Should you wish to arrange a follow-up discussion, please do not hesitate to contact:

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