

Credit Suisse Supply Chain Finance Funds

(New questions are marked **red**; revised answers are **highlighted in yellow**).

Key messages:

- On March 1, 2021, Credit Suisse Asset Management suspended redemptions and subscriptions in all of its four Supply Chain Finance Funds (SCFFs). The fund boards subsequently approved the commencement of the liquidation process of the SCFFs.
- Reason: Some of the funds' assets are subject to considerable uncertainty with respect to their valuation. Moreover, the reduced availability of insurance coverage for new investments and the related substantial challenges to source suitable investments make it currently unachievable for the funds to remain invested in accordance with their investment policies. Credit Suisse Asset Management's fiduciary duty is to act in the best interests of investors in its funds. The liquidation will ensure equal treatment of all investors and safeguard their interests.
- Credit Suisse Asset Management has been working closely with Grant Thornton since its appointment; the Joint Administrators have confirmed that the platform remains operational.
- The liquidation of the SCFFs is administered in compliance with the applicable laws and regulations. The liquidation proceedings and liquidation proceeds must be and will be made based on equal treatment of all the investors in the SCFFs. Consequently, all investors will get proportional payouts in relation to their investment and there is no room for preferential payments.
- In March and April 2021, USD 4.8 bn was returned to investors in the Credit Suisse SCFFs in two installments.
- The third payment of proceeds from the liquidation of the three Luxembourg-based funds as well as the Liechtenstein-based fund is planned for the week of July 5, 2021.
- Approximately USD 0.75 bn are currently available for distribution, which would bring the total amount returned to investors to approximately USD 5.6 bn.
- Together with the cash that has already been distributed and cash remaining in the funds, the cash position is equivalent to approximately USD 6.1 bn or 61% of the funds' AuM at the time of their suspension.
- Several SCFF programs with an aggregate amount of USD 2.3 bn are essentially related to the following three groups of companies: "GFG Alliance", Kattera, and Bluestone.
- Detailed disclosure on the SCFF portfolios, including exposure to "GFG Alliance", Kattera, and Bluestone is provided in a separate document.

1. Why is Credit Suisse Asset Management winding down the Supply Chain Finance Funds (what was the trigger event)?

The decision to first close the SCFFs for subscriptions and redemptions, and then to liquidate them was taken due to valuation uncertainties that have arisen from aspects related to the financial infrastructure of the funds and certain exogenous factors. Moreover, the reduced availability of insurance coverage for new investments and the related substantial challenges to source suitable investments make it currently unachievable for the funds to remain invested in accordance with their investment policies. Credit Suisse Asset Management's fiduciary responsibility is to act in the best interests of investors in its funds.

All shares of the SCFFs will be compulsorily redeemed and will participate pro-rata to

the funds' assets. Pending redemption requests will be cancelled.

Liquidation proceeds will be distributed as soon as feasible until the investors receive the funds' total net collected liquidation proceeds. Investors will receive notification of these payments. Management fees are waived with immediate effect.

2. What percentage of SCFFs assets are in cash and cash equivalents?

Affected funds and cash and cash equivalents in % of fund volume as of June 29, 2021:

Credit Suisse (Lux) Supply Chain Finance Fund	Approx. 16%, USD 568 mn
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	Approx. 41%, USD 576 mn
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	Approx. 95%, USD 80 mn
Credit Suisse Supply Chain Finance Investment Grade Fund	Approx. 75%, USD 70 mn

The assets held by the SCFFs, largely consisting of notes backed by existing and future receivables, were originated and structured by Greensill Capital (UK) Limited or one of its affiliates (Greensill Capital). The portfolio management team continues to work on liquidating the remaining assets in the four funds as the receivables comprising the funds' assets mature. However, there remains considerable uncertainty regarding the valuation of a significant part of the remaining assets, including the fact that certain of the notes underlying the funds were not paid when they fell due and the portfolio manager has been informed that further notes will not be paid when they fall due in the future. It can therefore be assumed that investors in the SCFFs may suffer losses.

3. Is the liquidation of the SCFFs a step you have decided to take yourselves, or are you under pressure from regulators, investors in Credit Suisse, or any other stakeholders?

Credit Suisse Asset Management is acting in line with its fiduciary responsibility to act in the best interests of its investors. It was an act of prudence taken at the sole discretion of Credit Suisse Asset Management.

4. Can we provide a structured timetable for payouts?

Credit Suisse Asset Management is committed to winding down the funds in an orderly manner in the best interest of its investors. Credit Suisse Asset Management continues to work through the issues involved in order to provide further cash distributions to investors. All shares of the SCFFs will be compulsorily redeemed and will participate pro-rata to the funds' assets.

The majority of SCFF programs are continuing to return cash. As a result, a total of USD 4.8 bn has been returned so far to investors in the SCFFs in two installments.

For the three Luxembourg-based funds and the Liechtenstein-based fund the third payment of liquidation proceeds is planned for the week of July 5, 2021.

Approximately USD 0.75 bn are currently available for distribution, which would bring the total amount returned to investors to approximately USD 5.6 bn.

Further liquidation proceeds are expected to be paid out to investors as soon as practicable in future installments. Concrete timing on the next cash payouts cannot be provided at this moment. Credit Suisse Asset Management will continuously monitor cash and distribute it as appropriate.

Investors will receive notification of such payments once more information is available.

Certain percentage of cash needs to remain in the fund to ensure the ability to wind down the portfolio in the best interest of investors.

Payment of liquidation proceeds in % of NAV as of February 26, 2021:

Fund	Distribution as of March 10	Distribution as of April 15	Cumulative distribution
Credit Suisse (Lux) Supply Chain Finance Fund	31.2%	19.3%	50.6%
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	14.6%	8.8%	23.4%
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	45.0%	22.6%	67.6%
Credit Suisse Supply Chain Finance Investment Grade Fund	71.7%	14.3%	86.0%

5. Do investors need to take any action?

Investors do not need to take any action. The proceeds from the liquidation will be credited to their accounts in several installments. Payments will be made in the fund currency. Clients holding an account in the corresponding currency and who have issued appropriate instructions will have the liquidation proceeds credited to this account. Otherwise, the proceeds will be credited to the client's reference currency account.

6. Will the liquidation entail any costs or fees for clients?

Any costs and charges that are incurred in relation to the liquidation of all shares of the SCFFs will be borne by the SCFFs. Management fees were waived with immediate effect since March 4, 2021.

7. What are the tax implications?

Liquidations may have tax implications. As our clients have very different tax positions, Credit Suisse Asset Management is unable to make general statements. We therefore recommend that clients contact their tax advisors to find out what the tax implications of the fund closure will be in their native country, country of residence, or country of domicile.

8. Will the net asset value (NAV) per share of the SCFFs be adapted after the payment of the liquidation proceeds?

A technical adjustment has been made to the last published NAV to reflect payments of the liquidation proceeds and orderly cash distributions (A class). The adjusted NAV does not reflect any review of the actual NAV of the underlying assets.

The table below indicates the face value of the focus areas (which, for the avoidance of doubt, is not a fair value estimate or a similar calculation regarding the relevant underlying exposures):

Fund	Face value of focus areas in USD mn
Credit Suisse (Lux) Supply Chain Finance Fund	1,843
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	503
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	0
Credit Suisse Supply Chain Finance Investment Grade Fund	0
SCFFs in total	2,347

9. What actions did Credit Suisse take in response to these developments?

Credit Suisse has established an extensive and dedicated project in connection with the issues surrounding the SCFFs in the Credit Suisse Asset Management business.

10. What are the key objectives of Credit Suisse Asset Management's project?

The key objectives of the project are as follows:

- Act in the investors' best interest by seeking to preserve the value of the underlying assets. Define and implement appropriate strategy to resolve the funds over time in line with Credit Suisse Asset Management's fiduciary duty and return cash to fund investors.
- Maintain proactive disclosure and communication to fund investors.
- Identify and manage new risks arising from the fund liquidation.
- Establish effective oversight and management of (i) efforts to recover overdue notes through coordination and interaction with relevant administrators and other stakeholders, and (ii) execution of legal enforcement and litigation strategies where necessary from a fiduciary perspective.
- Amend processes as needed to ensure orderly liquidation.
- Proactively engage with and respond to relevant regulatory bodies.
- Ensure any necessary additional support and expertise by third party service providers.

11. Is Grant Thornton Greensill Capital's insolvency administrator?

Greensill Capital (UK) Limited filed for Administration in the UK courts on March 8, 2021. Three insolvency practitioners (specialist accountants) from Grant Thornton were appointed to act as Greensill Capital's Joint Administrators. Credit Suisse Asset Management has been working closely with the Grant Thornton team since appointment; the Joint Administrators have confirmed that the platform remains operational.

12. Why is Credit Suisse not using an external liquidator to manage the portfolio runoff?

At Credit Suisse, we have extensive expertise in debt recovery, which we are leveraging for the benefit of the funds. Our teams are also familiar with the composition of the portfolios, which would be challenging for an external liquidator to replicate as they would be approaching the situation from a standing start.

With respect to the fund liquidation, it is as much in our interest to maximize recovery as it is in our investors'.

13. How is the Credit Suisse Asset Management investment management team organized?

On May 3, 2021, Credit Suisse Asset Management established a dedicated investment committee for key decisions regarding the liquidation of the portfolios. Day-to-day decisions on portfolio management are made by the portfolio management team led by Andreas Asche and Aram Compton. Furthermore, the unwinding and liquidation process is supported by internal and external legal counsel, insurance, and credit valuation specialist teams.

14. Are there any other funds managed by Credit Suisse Asset Management that are directly invested in the SCFFs?

For the following funds managed by Credit Suisse Asset Management, the Board of Directors of the Umbrella "Credit Suisse Virtuoso SICAV – SIF" suspended the subscriptions and redemptions effective March 1, 2021, because a certain part of the funds' assets is invested in SCFFs:

- Credit Suisse (Lux) Multi Strategy Bond Fund
- Credit Suisse (Lux) Multi Strategy Alternative Fund
- Credit Suisse (Lux) Qatar Enhanced Short Duration Fund
- Credit Suisse (Lux) Institutional Target Volatility Fund EUR

To reopen the funds for valuation, subscriptions and redemptions, the illiquid part of the funds' assets were separated and side pockets were created. For this illiquid part, clients have received a separate share class with distinct ISIN and valor no. The side pocket share classes, reflecting the illiquid part of the funds' assets, will be subsequently liquidated and paid out in cash.

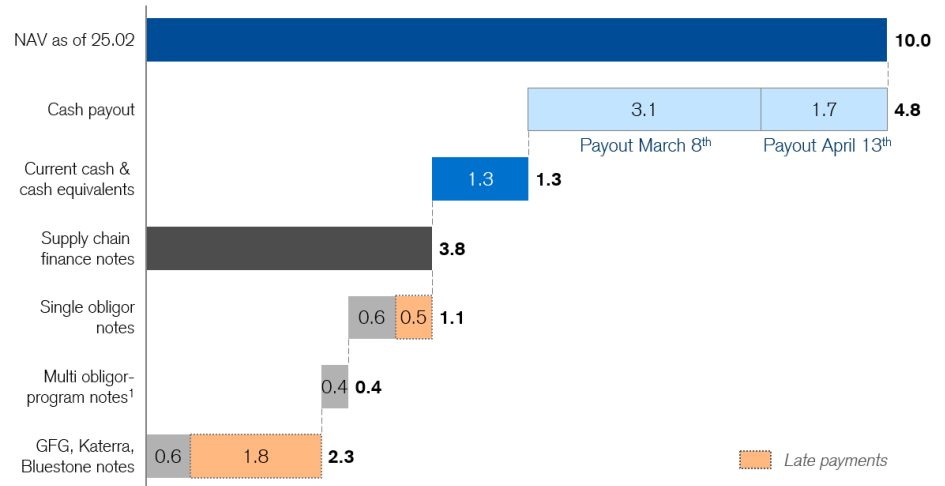
Subscriptions and redemptions of the original share classes reflecting the liquid part of the funds' assets resumed as of April 7, 2021.

Apart from SCFFs and the funds listed above, there is no further direct exposure in relation to the SCFFs by funds managed by Credit Suisse Asset Management.

15. Can we confirm the volume of payments that have not been made to the SCFFs when due?

As of June 29, 2021, the late payments accumulated to approx. USD 2.3 bn. Thereof, approx. USD 0.5 bn are single obligor notes and approx. USD 1.8 bn are late payments of notes from the focus areas. Details per fund can be found in the SCFF portfolio details document.

Fund volume break-down (in USD bn), as of June 29, 2021:



¹ Including USD 0.065 bn exposure to other SCFFs

Data source: CSAM Portfolio Management for all information pertaining to fund notional value after cash payout. The NAV is published through the Fund Administrator. Differences (e.g. different data sources, cut-off times, FX rates, etc.) may occur.

16. What is the extent of insurance purchased by the funds, particularly within the focus areas?

Generally, insurance for the notes was purchased in line with the description given in the applicable prospectuses and other fund documentation for each fund (with the fund named as loss payee on applicable policies with Greensill entities as the insured parties).

Credit Suisse Asset Management is working with relevant Greensill entities to maximize recoveries in respect of the notes under applicable insurance policies with the support of experienced legal counsel and advisors. Potential claims are assessed and prepared on a case-by-case basis.

The purchased insurance was intended to cover financing arrangements of both the purchase of existing receivables and suppliers' undertakings related to future rendition of services or sale of goods.

The portion of insured versus not insured assets:

- **The Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund:** As of 26.02.2021, insurance had been bought for more than 1/3 of the notes.
- **The Credit Suisse (Lux) Supply Chain Finance Fund (Virtuoso):** As of 26.02.2021, insurance had been bought for all obligors and their respective note programs.
- **The two Investment Grade Funds** (Credit Suisse Supply Chain Finance Investment Grade Fund and Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund): As of 26.02.2021, insurance had been bought for obligors rated A- or lower.

17. Have insurance claims been initiated?

For any insured note which is overdue, we have followed the steps described in the pertinent insurance policy to reserve the funds' rights, which involved in particular notifying the insurance companies of the default of such notes. After the expiry of the pertinent waiting periods, we will assert the rights of the funds in accordance with such policies with the support of specialized counsel.

18. Is there a risk of losses for the insured funds? What recovery rates can be expected in case of a potential default if there is no insurance?

As previously stated the termination by the insurance company of its insurance policy with Greensill Bank has not changed the insurance situation for the existing notes. Three aspects are important with regard to insurance claims: 1) potential defaults of obligors and their non-payment on the notes need to first materialize, 2) then respective claims need to be submitted to the respective insurance company by the policy holder, i.e. Greensill Bank, and 3) then we will understand the position the insurance company is taking.

Generally, whenever valid claims following defaults can be made, the insured must notify the insurer within 10 days "of becoming aware of a potential loss" (claim form), being the obligor's failure to pay. There is either a 45- or 90-day waiting period (backstop date) before a claim can be made. The insured has 12 months after the backstop date has expired to formally file a claim. The insurer must request additional information within 14 days of receiving the initial claim form and advise of its coverage position (Claim Offer Letter) within 30 days, meaning whether it accepts liability partly or in full for the claim. The insurer is obliged to pay the insured for the non-disputed part of the claim no later than 15 days after delivery of the Claim Offer Letter, subject to receipt from the insured of all of the relevant supporting documentation. Where coverage is denied, the insurer must specify the grounds for so doing. Coverage disputes may last several years.

19. Can insurance be effective if fraud from Greensill is identified? If all the notes are insured, what is the risk that insurance companies will refuse to pay? If Greensill defaults, what will be the impact on the notes? Will the only problem be the default of the obligors and the time needed to claim the insurers for payment?

We are looking into all angles that could potentially affect the valuation of the securities.

20. In what assets did the SCFFs invest?

The SCFFs invested not only in receivables generated by suppliers, but also in financed future sales of goods and services. Such advances on future sales led to a purchase of a receivable when the planned transaction between the supplier and its customer took place and generated a receivable (these transactions were often characterized as the purchase of future receivables).

In each case a future sale was financed and, as a consequence a receivable that would come into existence in the future was purchased, the supplier warranted that such receivable was a bona fide receivable that would be generated in the ordinary course of business of the supplier. The basis of the financing of future sales of a supplier and the purchase of future receivables was therefore always, that the supplier could reasonably expect the planned transaction with its customer to close and to actually generate a receivable. If the planned transaction did not take place and no receivable was generated, the supplier was obliged to pay back the amount advanced on the purchase of the future receivable. The supplier had the same obligation when the receivable debtor did not pay the receivable. With the financing of future sales, the funds therefore always invested either in a receivable to be collected from the supplier's customer, or in a supplier's payment undertaking, i.e. in the obligation of the supplier to pay back the amount advanced in view of the future sale.

21. What recovery efforts have been undertaken for the focus areas and non-focus areas?

Focus areas:

- Exposure of the three focus areas is as follows: GFG (USD 1.2 bn exposure), Bluestone (USD 0.7 bn exposure), Kattera (USD 0.4 bn exposure). In these focus areas, we expect recovery to be more complex, and to take more time.
- Substantial efforts are being devoted to maximizing and expediting recovery. Dedicated teams of internal and external financial, legal and restructuring experts have been put in place to focus on each of these areas. In order to maximize recovery we pursue concepts of consensual restructuring but also the legal enforcement of the funds' claims.
- All activities are pursued with priority and at full strength in all focus areas and progress is being made in all of them. The situation is complex, substantial payments are not yet due and more time is required to assess the situation accurately. At this stage, it is difficult to specify with reasonable certainty the level of recovery expected from the focus areas.

Non-focus areas:

- With regard to the majority of the non-focus areas, payments are largely continuing as usual.
- There are a number of cases of late payments that are being addressed. These include cases where repayment is expected in full, but requests have been made to reschedule the term of repayments because of short-term liquidity constraints.
- In a number of cases, where there are more serious issues to be addressed, discussions are underway with regard to a potential restructuring of the debt, which may mean full repayment is no longer possible.

22. Why is Credit Suisse Asset Management no longer providing regular updates on the securities in the portfolio?

We will provide regular updates on the progress of recovery. The less frequent publication of portfolio updates reflects less frequent significant changes in portfolio composition.

SCFFs published value indicators and payout of liquidation proceeds

In USD mn	Value as of	Credit Suisse (Lux) Supply Chain Finance Fund	Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	Credit Suisse Supply Chain Finance Investment Grade Fund	SCFFs in total
Net Asset Value (NAV)	26.02.2021	7,253	1,834	260	669	10,016
First payout of liquidation proceeds	10.03.2021	2,232	267	115	481	3,096
Second payout of liquidation proceeds	15.04.2021	1,381	161	58	96	1,696

Cash and cash equivalents	29.06.2021	568	576	80	70	1,293
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First payout of liquidation proceeds in % of NAV	26.02.2021	31.2%	14.6%	45.0%	71.7%	31.2%
Second payout of liquidation proceeds in % of NAV	26.02.2021	19.3%	8.8%	22.6%	14.3%	17.1%
Cumulative distribution in % of NAV	26.02.2021	50.6%	23.4%	67.6%	86.0%	48.3%

Legal Notes:

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