

# 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 were and continue to be 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 made it 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 liquidation proceeds took place the week commencing July 5, 2021, where approx. USD 0.75 bn was distributed to investors.
- The fourth payment of proceeds took place on August 6, 2021. Approx. USD 0.4 bn (of which Credit Suisse (Lux) Supply Chain Finance Fund is approx. USD 350 mn and Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund is approx. USD 55 mn) was distributed.
- The fifth payment of proceeds from the recovery of assets underlying the Credit Suisse (Lux) Supply Chain Finance Fund and Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund was distributed to investors in those funds in the week of September 27, 2021. Approx. USD 0.4 bn (of which Credit Suisse (Lux) Supply Chain Finance Fund is approx. USD 350 mn and Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund is approx. USD 50 mn) was distributed.
- The sixth payment of proceeds took place on December 15, 2021. Approx. USD 0.4 bn (of which Credit Suisse (Lux) Supply Chain Finance Fund is approx. USD 280 mn and Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund is approx. USD 120 mn) was distributed.
- The total amount returned to investors is approx. USD 6.7 bn.
- Together with the cash that has already been distributed and cash remaining in the funds as of **February 28, 2022**, the cash position is equivalent to approx. USD 7.3 bn or 73% of the funds' AuM at the time of their suspension.
- Several SCFF programs with an aggregate amount of USD 2.3 bn as of February 26, 2021, are essentially related to the following three groups of companies: "GFG Alliance", Kattera, and Bluestone.
- In October, we reached an agreement with the "GFG Alliance" for the repayment in full of the portion of the "GFG Alliance" exposure relating to its Australian operations, with an initial payment of AUD 129 mn (approx. USD 96 mn) and an agreement to repay the remaining principal of AUD 240 mn (approx. USD 178 mn) with interest by mid-

2023.

- Detailed disclosure on the SCFF portfolios, including exposure to “GFG Alliance”, Kattera, and Bluestone is provided in a separate document.
- As of February 28, 2022, 11 insurance claims have been filed.

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## A. General Background

### 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?

Cash and cash equivalents in % of fund volume as of February 28, 2022, of affected funds shown in the table below.

Fund volume defined as notional value of notes outstanding plus cash and cash equivalents. Cash equivalents are defined as treasuries, positions in Credit Suisse Money Market Funds, and Unrealized FX profit or loss.

Credit Suisse (Lux) Supply Chain Finance Fund	Approx. 16%, USD 376 mn
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	Approx. 18%, USD 120 mn
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	Approx. 100%, USD 9 mn
Credit Suisse Supply Chain Finance Investment Grade Fund	Approx. 100%, USD 34 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).

For Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund and Credit Suisse Supply Chain Finance Investment Grade Fund, approx. 100% (as shown above) is held in form of cash and cash equivalents. For the other two funds the portfolio management team continues to work on recovering the remaining assets. 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. 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.

#### **4. 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 number. The side pocket share classes, reflecting the illiquid part of the funds' assets, are in the process of being liquidated and shareholders of the side pocket share classes received the first payment of the redemption proceeds, pro rata to their holding, with a value date April 19, 2021, a second payment with a value date of July 9, 2021, a third payment with a value date of August 10, 2021, a fourth payment with a value date of October 1, 2021 and a fifth payment with a value date of December 17, 2021.

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.

#### **5. 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. The SCFF portfolio details will from now on be provided monthly.

#### **6. Have there been any provisions made by the funds to cover liquidation expenses? If so, how much?**

The recovery work that CSAM is doing on behalf of fund investors inevitably incurs external expenses, which are being provisioned. The majority of these external costs have not yet been passed on to investors. CSAM is fronting as much of this expense as possible and will seek to recoup the amount which has been incurred when appropriate. A substantial part of the recovery work is conducted by CSAM's internal teams, the cost of which will be absorbed by Credit Suisse. Further information will be provided as soon as CSAM can disclose more details.

At this stage, approx. USD 145 mn have been provisioned by the funds for the estimated recovery costs. These costs do not include internal costs absorbed by Credit Suisse and cover external support in form of:

- Operating expenses for the broader SCF Infrastructure (e.g., Greensill Capital UK, Citi/TMF): Fees for administration, recovery, insurance, trustee fees and expenses, fees for administration of SPVs
- Advisory fees: Fees for restructuring and recovery activities, valuation services, external counsel fees, project management, and recovery support
- Ongoing fund operational fees and expenses: Administration, custodian bank, applicable taxes, audit expenses, regulatory fees, reporting fees, domiciliation, and registration fees

The above-mentioned figures are given in aggregate as total for the four funds combined.

The recovery work by CSAM aims to maximize and expedite recovery for the benefit of investors. Further, any claim on insurance involves certain legal obligations to minimize potential losses by taking appropriate mitigation measures through recovery action.

#### **7. Can you provide a breakdown of the provisioned liquidation costs by fund?**

At this stage, approx. USD 145 mn have been provisioned by the funds for the estimated recovery costs. The estimated breakdown of the provisions by fund are as shown in the following table:

<b>Fund</b>	<b>Provisioned estimated costs CHF mn</b>	<b>Provisioned estimated costs USD mn</b>
Credit Suisse (Lux) Supply Chain Finance Fund	101	109
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	29	31
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	3	3
Credit Suisse Supply Chain Finance Investment Grade Fund	2	2
<b>Total</b>	<b>135</b>	<b>145</b>

Values shown are rounded to the closest million, and CHF amounts were converted to USD using an exchange rate of **0.9320 USD/CHF**

Since CSAM is still actively working on underlying recoveries, the above-mentioned figures do not yet reflect the final amounts that are expected to be charged to each fund.

## B. Liquidation of the Funds

### 8. 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.

### 9. 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 approx. USD 6.7 bn has been returned so far to investors in the SCFFs in six installments.

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. A certain percentage of cash needs to remain in the fund (see question 18).

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

Fund	Distribution as of Mar 10	Distribution as of Apr 15	Distribution as of Jul 7	Distribution as of Aug 6	Distribution as of Sep 29	Distribution as of Dec 15	Cumulative distribution
Credit Suisse (Lux) Supply Chain Finance Fund	30.8%	19.0%	1.4%	4.8%	4.8%	3.9%	Approx. 65%
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	14.6%	8.8%	27.8%	3.0%	2.7%	6.5%	Approx. 63%
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	44.2%	22.3%	28.8%	-	-	-	Approx. 95%
Credit Suisse Supply Chain Finance Investment Grade Fund	71.9%	14.3%	9.0%	-	-	-	Approx. 95%

### 10. 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.

### 11. 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.

### 12. 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.

### 13. 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 as of February 26, 2021, (which, for the avoidance of doubt, is not a fair value estimate or a similar calculation regarding the relevant underlying exposures):

Fluctuations in the reported face value of focus areas could be observed across previously published Q&A updates. These differences are due to FX fluctuations in the non-USD denominated notes of the funds.

<b>Fund</b>	Face value of focus areas as at 26.02.2021 in USD mn
Credit Suisse (Lux) Supply Chain Finance Fund	1,857
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	518
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	0
Credit Suisse Supply Chain Finance Investment Grade Fund	0
<b>SCFFs in total</b>	<b>2,375</b>



**14. In what currencies are the remaining notes denominated for both the Credit Suisse (Lux) Supply Chain Finance Fund as well as the Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund?**

Due to valuation uncertainty surrounding some positions in the funds, the level of currency exposure of investors is also uncertain. We are able to indicate what proportion of the remaining notes are denominated in each currency when weighted by face value and do so in the table below. These proportions will fluctuate over time as when a currency strengthens versus others in the fund, it's proportion of face value rises, and vice versa when a currency weakens. Please note the figures below also ignore the impact of currency forwards that may be applied at the fund or shareclass level.

The currency composition of the remaining notes as of February 28, 2022, of these two funds are shown in the table below:

<b>Credit Suisse (Lux) Supply Chain Finance Fund</b>				
	<i>Currency Exposure<sup>1</sup></i>			
<i>As % of total fund notional note exposure</i>	<b>AUD</b>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>
<b>Non-Focus Areas</b>	0.0%	0.0%	4.8%	6.6%
<b>Focus Areas (GFG, Katerra &amp; Bluestone notes)</b>	3.2%	9.6%	2.6%	73.1%
<b>Total currency exposure</b>	3.2%	9.6%	7.4%	79.7%

<b>Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund</b>				
	<i>Currency Exposure<sup>1</sup></i>			
<i>As % of total fund notional note exposure</i>	<b>AUD</b>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>
<b>Non-Focus Areas</b>	1.7%	2.7%	6.6%	12.0%
<b>Focus Areas (GFG, Katerra &amp; Bluestone notes)</b>	12.9%	0.0%	47.0%	17.1%
<b>Total currency exposure</b>	14.6%	2.7%	53.6%	29.1%

<sup>1</sup> Face value & late payments, excluding cash, treasuries, and FX forwards

**15. What is the funds' approach to hedging foreign exchange risks?**

As of end of January, the Board of Directors of the Credit Suisse (Lux) Supply Chain Finance Fund and Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund have decided to modify the approach for FX hedging. Previously, the entire underlying book value of each instrument was used to determine the amount needed to be hedged. The new method will follow the below three steps:

1. CSAM, in consultation with the Alternative Investment Fund Manager<sup>1</sup>, will assess for each investment instrument whether a narrow band of probable recovery values can be determined, and will from such band determine a conservatively estimated value (the "Estimated Value"). If a full recovery is expected the Estimated Value will generally equal the current book value. Insurance recoveries are only taken into account once certainty of payments under the insurance policies has been confirmed.
2. To hedge foreign exchange risks, CSAM will use the Estimated Value to determine the trades to effect portfolio, as well as share class FX hedges.
3. For investment instruments, in particular notes, for which an Estimated Value cannot be determined, CSAM will not apply any portfolio or share class FX hedges.

The Board of Directors of the Credit Suisse (Lux) Supply Chain Finance Fund and Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund considers this modification to be in the investors' best interest for the following reasons:

1. It reduces the maximum drawdown risk in a range of scenarios. This is because it reduces the likelihood of scenarios where losses on currency forwards are not offset by gains on corresponding positions. The risk of such situations is particularly elevated where positions have high degrees of valuation uncertainty.
2. It reduces the amount of cash collateral required by for currency hedging, increasing the amount of cash that can be distributed to Shareholders, and removing some of the tail-risks that collateral can be exposed to.
3. It continues to minimize the currency risk that Shareholders are exposed to where that relates to positions where valuations are more certain, and hence currency risk can be

more reliably quantified.

**16. What are the implications of the modified FX hedging approach on the funds' valuation and next cash distribution to investors?**

The modification does not alter the valuation of the SCF funds. The NAV will continue to be updated as described in the answer to question 13. CSAM will continue to monitor the cash position. Available cash will be distributed once a fixed date for the next cash distribution has been determined.

**17. 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'.

**18. Why is a certain amount of cash and cash equivalents being held back instead of paid out to investors?**

Due to provisions (see question 6) and cash collateral requirements for FX hedging purposes, the entire cash amount in the funds is not available for distribution, as was the case with all six pay-outs.

We continue to monitor the development of the cash levels in the funds and assess further payouts on an ongoing basis.

**19. 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.

## C. Insurance

### 20. 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).

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 (information as of 26.02.2021):

- **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.

### 21. Which external parties is Credit Suisse Asset Management working with?

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.

### 22. What is the impact of the termination by the insurance company of its insurance policy with Greensill Bank? Is there a risk that a potential loss to the insured funds is not covered by the insurance policy?

The termination by the insurance company of its insurance policy with Greensill Bank does not alter the insurance situation for the existing notes for the period before the termination. Three aspects are important with regard to insurance claims: 1) potential defaults of obligors and their non-payment of the debt need to first materialize, 2) the respective claim (the claim being the unpaid debt) needs to be submitted to the respective insurance company by the policy holder, i.e., Greensill Bank, 3) the insurance company will assess the claim through its investigations (e.g., asking for additional information / documentation) and after what could amount to months, ultimately state its position in respect of coverage (meaning partially or fully covering or denying the loss). A number of conditions and criteria must be satisfied under the policy in order to have a covered loss.

### 23. How does the insurance process work? Why are there no visible outcomes for a longer time period?

CSAM (via Greensill Bank which is the Insured under the policies) is filing claims in accordance with the relevant policy terms. The following process must be followed where a claim is made under an insurance policy:

- Step (1): The Insured has to notify the Insurer within 10 days “of becoming aware of a Potential Loss” (i.e. the Customer is or looks likely to be unable to pay an Eligible Debt by Due Date or within 10 days thereafter).
- Step (2): The Insured must wait for a period of 45 or 90-days (depending on the applicable Backstop Date under the relevant policy) to expire before submitting a claim to Insurers.
- Step (3): A claim form must be submitted to the Insurer within 12 months of the due date of the underlying debt.
- Step (4): The Insurer reviews the claim form and has 14 days from the date of receipt of the claim form to request additional information from the Insured. This is an iterative process. Typically, Insurers will raise several requests for information over the course of time until such point as they are satisfied that they have sufficient information to make a decision on a claim.
- Step (5): The Insurer must advise the Insured of its coverage position by the later of either (i) 30 days of receipt of the claim form; or (ii) 14 days after receipt of any additional requested information (see Step (4) above).

At this time the Insurer will either issue a Claim Offer Letter in which it offers to settle a claim or, if the Insurer has determined that it is not obliged to meet the claim, set out in writing its grounds for refusing the claim.

- Step 6: The Insurer is then 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).
- Step 7: If the Insurer declines a claim the Insured has a period of 24 months from the last date of the Policy Period to initiate court proceedings against the Insurer to recover sums owed under a policy. Such coverage disputes may last several years.

CSAM intends to pursue litigation through Greensill Bank (and as a party in its own right where appropriate) in the event that Insurers do not pay claims.

### 24. How many insurance claims have been filed to date?

CSAM intends to protect the rights of the Funds in claiming for all insurable losses within the 12 months limitation period (Step (3) of question 23). To that end, the following tables summarize the progress of the insurance claim filed by the Fund as of **February 28, 2022**.

<b>Credit Suisse (Lux) Supply Chain Finance Fund</b>	Number of insurance claims filed <sup>1,2</sup>	Corresponding CSAM exposure of claims filed <sup>3</sup> in USD mn
Focus areas (for GFG and Bluestone related entities)	6	926
Non-focus areas	5	230
Total	11	1,156

<b>Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund</b>	Number of insurance claims filed <sup>1,2</sup>	Corresponding CSAM exposure of claims filed <sup>3</sup> in USD
Focus areas (for GFG and Bluestone related entities)	2	326
Non-focus areas	-	-
Total	2	326

1. Across the two funds a total of 11 insurance claims with a corresponding CSAM exposure of approx. USD 1.5bn have been filed (a submitted claim can be for both funds)
2. Insurance claims under notes that included future receivables
3. Exposure of claims filed may exceed the remaining exposure in the funds as there may have been recoveries subsequent to filing the insurance claim

CSAM is currently preparing to file additional claims through Greensill Bank and with the assistance of Greensill Capital UK.

**25. What is the status of the insurance claims already filed since the suspension of the funds? Did we receive any definite answers or payments?**

For all claims filed to date, the respective insurer has fully reserved their rights under the policy and has exercised their right to request further information on the respective claim filed (see question 23, Step (4), for further details). We are in the process of answering and providing additional documentation.

As a consequence, we have not received any indication as to coverage, meaning that claims have neither been denied nor accepted (partially or in whole).

However in order to protect the rights of investors we commenced litigation for Catfoss Renewables on February 22, 2022.

**26. What is the importance of the Catfoss Renewables Claim which was recently filed?**

As reported by various international media, litigation has been commenced in the New South Wales (Australia) Federal Court on the Catfoss Renewables claim in order to be joined to the insurance cases currently before the court. This important action was taken to protect the rights of investors as the judge will be hearing claims brought by other parties under the same insurance policy as the Catfoss Renewables claim. The judge has ruled that Catfoss Renewables can be heard with the other claims and this hearing is now set for April 7, 2022. The Insurer has accepted our joining the Case Management Hearing (this is no indication of whether they accept or deny the claim).

**27. 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.

**28. Why did the insurance companies not extend the insurance policies?**

The insurance contracts have been concluded directly between the insurance companies (Insurance Australia Ltd; Qbe Insurance (Australia) Ltd; Tokio Marine & Nichido Fire Insurance Co Ltd; Tokio Marine Europe SA; Zurich Insurance PLC) and Greensill. CSAM is not a party to such contracts. CSAM has not been informed about the reasons for the decisions not to extend the insurance policies. It is CSAM's understanding that the insurance policies covering the notes remain unaffected by this decision.

## D. Project Governance & Organizational Set-up

### 29. 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.

### 30. 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.

### 31. 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, Aram Compton, and Christopher Davis. Furthermore, the unwinding and liquidation process is supported by internal and external legal counsel, insurance, and credit valuation specialist teams.

### 32. What is the purpose of the internal investigation initiated after March 2021?

The purpose of the internal investigation is to conduct an objective, and fact-based internal investigation on behalf of the Bank's Board into the Greensill matters. The internal investigation focuses on the set-up and management of the supply chain finance funds.

### 33. Have the funds held their annual general meetings in 2021 as usual?

The annual general meetings of shareholders for Credit Suisse Nova (Lux) and Credit Suisse Virtuoso SICAV-SIF were held on September 10, 2021. Due to COVID-19 rules the meetings were not held physically. All resolutions tabled at the respective meetings were passed.

### 34. When will the annual general meetings of the funds take place in 2022?

The annual general meeting of shareholders for Credit Suisse Nova (Lux) cannot be convened at the date provided for in the Prospectus and the articles of incorporation, because the annual report for the financial year ending on October 31, 2021 is still in the process of being finalised.

The board of directors of Credit Suisse Nova (Lux), in collaboration with the Alternative Investment Fund Manager are working to finalise the annual report and to enable the finalization of the audit of the financial statements as soon as practicable. Shareholders will be invited to the annual general meeting for Credit Suisse Nova (Lux) after the audited annual report for the financial year ending on October 31, 2021 is available.

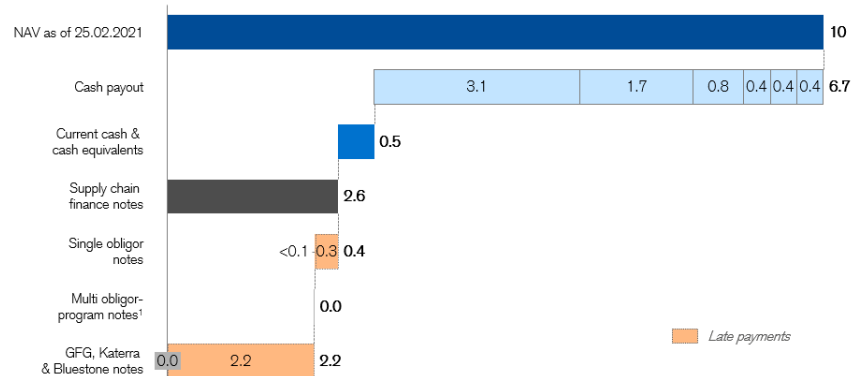
With regards to the annual general meeting of shareholders of Credit Suisse Virtuoso SICAV-SIF, investors will be informed when this is expected to take place in due course.

## E. Recent Updates and Progress

### 35. What is the volume of payments that have not been made to the SCFFs when due? What is the recovery rate you are expecting?

As of February 28, 2022, the late payments accumulated to approx. USD 2.5 bn. Of those, approx. USD 2.2 bn are from the focus areas and approx. USD 0.3 bn are late payments from other obligors.

Fund volume break-down (in USD bn), as of February 28, 2022 (a detailed breakdown per fund is provided in the Portfolio Details, which are updated regularly):



<sup>1</sup> Including < USD 10 mn exposure to other SCFFs

Please note:

**Single Obligor (program) notes:** Relates to a program where issued notes are backed by obligations from a single paying party (single obligor).

**Multi-Obligor program:** Relates to a program where issued notes are backed by existing obligations and, in some programs are subject to certain eligibility criteria, by future obligations, from a number of paying parties (multiple obligors).

In total, late payments account for approx. 99% of outstanding notes. Within the focus areas approx. 100% are late payments; within the non-focus areas approx. 96% are late payments.

Within the focus areas more time is required to assess the situation accurately. We are making the efforts described in the answer to question 36 to collect the amounts outstanding. Given the complexity of the situation and negotiations, any predictions on recovery rates for the focus areas would be premature.

Within the non-focus areas, substantially all remaining exposures relate to obligors that are late in making payments, and / or obligors where we expect an element of restructuring. We are applying individual restructuring strategies for each debtor with the goal to maximize recovery. However, we expect an overall recovery for non-focus areas of >90% (Note: recovery rate is relative to approx. USD 2.8 bn book value of non-focus areas exposure as of March 31, 2021).

### 36. What has been the progress on the three focus areas lately?

We continue to invest substantial efforts to maximize and expedite recovery. Dedicated teams of internal and external financial, legal, and restructuring experts have been put in place to progress each of the focus areas. To maximize recovery, we generally pursue concepts of consensual restructuring but also seek the legal enforcement of the funds' claims where needed. Progress has been made on defining the consensual restructuring and enforcement plans. For instance:

**GFG:** In October, we reached an agreement with the "GFG Alliance" for the repayment in full of the portion of the "GFG Alliance" exposure relating to its Australian operations (more details in question 37). Overall, together with the monthly payments in November, December, January and February, the total cash amount returned (including principal

repayments and interests) from the Australian entities is approx. AUD 190mn.

Discussions regarding the refinancing and restructuring of assets in the US, and the UK are ongoing.

Katerra: On December 23, 2021, Credit Suisse filed two applications for document discovery in the United States for use in planned litigation in the United Kingdom against various entities affiliated with Softbank Group Corp. This is in connection with the recovery of amounts backed by outstanding receivables sold by Katerra Inc., a now bankrupt US construction company, and its affiliates. The two US discovery applications have been filed in the California and Arizona federal courts, and are publicly available online.

Bluestone: We have started conversations with Bluestone and its shareholders with the aim of realizing potential payments. Given the complexity of the situation, any agreement and payments are unlikely to happen before Q2 / 2022. Other routes of potential recovery are currently being explored with the assistance of experienced external advisors.

Further, we continue to follow the insurance process as outlined in question 23. At this point we cannot further comment on any specific negotiations due to their underlying confidentiality. After further proceeds from negotiations on focus areas materialize, we will provide an update accordingly.

### **37. What is the agreement regarding the GFG Australia restructuring?**

In October, we reached an agreement with the “GFG Alliance” for the repayment in full of the portion of the “GFG Alliance” exposure relating to its Australian operations. This agreement does not include any haircut in terms of principal or accrued interests. It consists of an initial payment of AUD 129 mn (approx. USD 96 mn) which was received in October and reflects both a substantial principal payment and additional payments for default interest and legal costs. “GFG Alliance” agreed to repay the remaining principal of AUD 240 mn (approx. USD 178 mn) with interest by mid-2023.

Overall, together with the monthly payments in November, December, January and February, the total cash amount returned (including principal repayments and interests) from the Australian entities is approx. AUD 190mn:

<b>Payment date</b>	<b>Amount (interest and principal) in AUD mn</b>
October 2021	129
November 2021	15
December 2021	17
January 31, 2022	15
February 28, 2022	14
<b>Total</b>	<b>190</b>

While there is still much work to do with regard to the larger sum owed by GFG's UK businesses, it provides encouragement that even within the focus areas there are at least some prospects for recovery.

The agreement with “GFG Alliance” on the repayment of the portion relating to its Australian operations affects the Credit Suisse (Lux) Supply Chain Finance Fund and Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund. Outside of this agreement there is no other outstanding debt relating to the Australian operations of GFG.

### **38. What has been the progress on the non-focus areas in the past months?**

The remaining exposure of approx. USD 0.4 bn is increasingly comprised of cases where there is valuation uncertainty. This includes cases where payment is expected in full, but repayment may be late, and cases where full repayment by the obligor is no longer likely. All of these cases are being addressed on an ongoing basis to ensure the best possible outcome for investors.

### **39. How does the assumption on outstanding maturities look (taking into considerations renegotiated timelines with obligors)?**

The remaining portfolio is increasingly comprised of situations where negotiation with obligors is necessary, and restructuring and litigation may be required to maximize investor recoveries. Typically, these sorts of situations can take in excess of a year to be resolved, and as a result it would be reasonable to expect the rate of payment into the funds to slow



down. Due to the high level of uncertainty around when the majority of our remaining exposures will be repaid, we no longer report portfolio level maturity profiles in our investor communications. In addition, CSAM is focused on ensuring that, where restructurings are required, obligors are making payments as soon as they are able to do so.

**40. Are there any assumptions as to how long it will take to estimate the net losses?**

At this point it is difficult to estimate the extent of any net losses, as the work covering direct recoveries, litigation and insurance is ongoing. Given the complexity of the situation and negotiations, predictions on the timing would be premature.

**41. When will the investment grade funds be closed?**

CSAM is currently assessing a detailed timeline for the closure of the two Investment Grade funds. For the Investment Grade Luxemburg fund, the last outstanding note was repaid in August 2021. For the Investment Grade Liechtenstein fund, the last outstanding note was repaid in early February 2022.

**42. Does CSAM plan to publish an updated valuation for the SCFFs?**

Given some of the funds' assets continue to be subject to considerable uncertainty with respect to their valuation, publication of an updated valuation for the SCFFs is not planned. CSAM will continue to monitor the situation and assess options.

**43. Related to the 3Q21 earnings announcement of Credit Suisse Group AG, what were new disclosures related to the SCFFs?**

The 3Q21 financial report of Credit Suisse Group AG indicated that in 3Q21 litigation provisions were recorded in connection with the SCFF matter. The report also noted "The Group continues to assess the potential for recovery on behalf of the investors in the funds, and further analyze new, pending or threatened proceedings. As previously reported, the resolution of this matter, the timing of which is difficult to predict, could cause the Group to incur material losses."

**44. Related to the 4Q21 earnings announcement of Credit Suisse Group AG, what were new additional disclosures related to the SCFFs?**

In the most recent 4Q21 Earnings Release, Credit Suisse Group AG confirmed that the independent external investigation report into the SCFF matter has been completed and that the findings have been made available to the Group's Board and the report was shared with FINMA. Given the reputational impact of the SCFF matter on Credit Suisse, actions have been taken against a number of individuals where the Group's Board deemed it was appropriate. In light of the ongoing recovery process and the legal complexities of the matter, there is no intention by the Group's Board to publish the report. Furthermore, with respect to the Group's outstanding collateralized bridge loan of USD 90 mn to Greensill Capital, the Group has marked its fair value to USD 63 mn as of end of 4Q21, stable compared to USD 64 mn as of the end of 3Q21.

**45. Related to the 2021 Annual Report publication of Credit Suisse Group AG, what were disclosures related to the SCFFs?**

The Annual Report of Credit Suisse Group AG states that a number of regulatory and other inquiries, investigations and actions have been initiated or are being considered in respect of this matter, including by FINMA, one of which is the agreement to a Pillar 2 buffer with Credit Suisse Group AG. Furthermore, civil actions have been filed by fund investors against Credit Suisse Group AG. As this matter develops, Credit Suisse Group AG may become subject to additional litigation and regulatory inquiries, investigations and actions. Credit Suisse Group AG continues to analyze this matter, including with the assistance of external counsel and other experts.

Beginning in the fourth quarter of 2021, Credit Suisse Group AG introduced a fee waiver program for clients impacted by this matter wherein certain commissions and fees arising from current and future business transactions may be reimbursed on a quarterly basis, provided certain conditions are met. Credit Suisse Group AG incurred negative revenues of CHF 28 million in 2021 in our wealth management businesses relating to this fee waiver program.

**46. In light of the recent developments in Ukraine, do the SCFFs have any direct exposure to entities in Russia or Ukraine?**

The SCFFs do not have any direct exposure to entities in Russia or Ukraine.

## SCFFs 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	<b>10,016</b>
First payout of liquidation proceeds	10.03.2021	2,232	267	115	481	<b>3,095</b>
Second payout of liquidation proceeds	15.04.2021	1,381	161	58	96	<b>1,696</b>
Third payout of liquidation proceeds	07.07.2021	105	510	75	60	<b>750</b>
Fourth payout of liquidation proceeds	06.08.2021	350	55	-	-	<b>405</b>
Fifth payout of liquidation proceeds	29.09.2021	350	50	-	-	<b>400</b>
Sixth payout of liquidation proceeds	15.12.2021	280	120	-	-	<b>400</b>

First payout of liquidation proceeds in % of NAV	10.03.2021	30.8%	14.6%	44.2%	71.9%	<b>30.9%</b>
Second payout of liquidation proceeds in % of NAV	15.04.2021	19.0%	8.8%	22.3%	14.3%	<b>16.9%</b>
Third payout of liquidation proceeds in % of NAV	07.07.2021	1.4%	27.8%	28.8%	9.0%	<b>7.5%</b>
Fourth payout of liquidation proceeds in % of NAV	06.08.2021	4.8%	3.0%	-	-	<b>4.0%</b>
Fifth payout of liquidation proceeds in % of NAV	29.09.2021	4.8%	2.7%	-	-	<b>4.0%</b>
Sixth payout of liquidation proceeds in % of NAV	15.12.2021	3.9%	6.5%	-	-	<b>4.0%</b>
Cumulative distribution in % of NAV	15.12.2021	64.8%	63.4%	95.4%	95.2%	<b>67.4%</b>

### Legal Notes:

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