

Credit Suisse Supply Chain Finance Funds: first payments of liquidation proceeds

Key messages:

- On March 1, 2021, Credit Suisse Asset Management suspended redemptions and subscriptions in all of its four Supply Chain Finance Funds.
- The fund boards have approved the commencement of the liquidation process of the funds.
- 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.
- Liquidation proceeds to be distributed to investors in several instalments. The first payments totaling USD 2.6 bn (approximately 80% of the available cash and cash equivalents) commenced on March 8, 2021, with value date March 10, 2021, for the Luxembourg-domiciled funds. The payout of proceeds from the liquidation of the Liechtenstein-domiciled fund amounting to USD 480 mn (approximately 95% of the available cash and cash equivalents) will commence today, with the value date March 10, 2021. The remaining liquidation proceeds will be distributed as soon as practicable.
Investors will receive notification of these payments.
- Management fees are waived with immediate effect.
- Acting in the best interest of investors in the funds, Credit Suisse Asset Management will focus on maximizing value for the investors and will not be making any new investments.

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

The decision to first close the Supply Chain Finance Funds (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. The first payments of proceeds from the liquidation of the three Luxembourg-domiciled funds, amounting to approximately 80% of the available cash and cash equivalents, were commenced on March 8, 2021, with value date March 10, 2021. The payout of proceeds from the liquidation of the Liechtenstein-domiciled fund amounting to USD 480 mn (approximately 95% of the available cash and cash equivalents) will commence today,

with the value date March 10, 2021. The remaining liquidation proceeds will be distributed as soon as practicable in one or more instalments until the investors receive the funds' total net liquidation proceeds. Investors will receive notification of these payments. Management fees are waived with immediate effect.

2. What percentage of SCFFs assets are subject to valuation uncertainty?

Affected funds and cash and cash equivalents in % of fund volume per 03.03.2021:

Credit Suisse (Lux) Supply Chain Finance Fund	39%
Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund	18%
Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund	55%
Credit Suisse Supply Chain Finance Investment Grade	70%

The remaining part of the portfolio is under valuation uncertainty.

3. How many SCFFs that invest in notes issued by Greensill-sponsored SPVs do you manage? How many investors are there across the funds, and what is the total value of the funds?

Credit Suisse Asset Management manages four Supply Chain Finance Funds (three Luxembourg-domiciled funds and one domiciled in Liechtenstein):

- Credit Suisse (Lux) Supply Chain Finance Fund (USD 7.2 bn, 03.03.2021)
- Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund (USD 1.8 bn, 03.03.2021)
- Credit Suisse Nova (Lux) Supply Chain Investment Grade Fund (USD 300 m, 03.03.2021)
- Credit Suisse Supply Chain Finance Investment Grade Fund (USD 700 m, 03.03.2021)

In aggregate, there are more than 1,000 investors invested in these funds.

The volume for the SCFFs (approx. USD 10 bn) constitutes a small portion of Credit Suisse Asset Management's (CSAM) overall AuM (over USD 450 bn) and CSAM's revenues. The SCFFs represent only one investment strategy out of the many different investment strategies that CSAM offers its clients worldwide.

4. When will the audited annual report of Credit Suisse Nova (Lux) Supply Chain Finance funds for the financial year ending on October 31, 2020, be available? Can you comment on the reason for the delay?

The decision to suspend subscriptions and redemptions in the two funds – the Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund and the Credit Suisse Nova (Lux) Supply Chain High Income Fund – followed by the decision to liquidate them, both of which were commented on in the media, took place when the annual report for the period ending on October 31, 2020, and the audit of the respective financial statements, were being finalized and just about to be released. The situation and the circumstances that led to the liquidation of the two funds need to be assessed with regard to their implications for the annual report. The AIFM and the fund board are cooperating with the auditors in order to clarify any open points as soon as practicable. We cannot provide a clear indication as to by when the report will be made available.

5. 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.

6. What will the liquidation process look like?

All shares of the SCFFs will be compulsorily redeemed and will participate pro-rata to the funds' assets. Pending redemption requests will be cancelled. The first payments of proceeds from the liquidation of the three Luxembourg-domiciled funds, amounting to approximately 80% of the available cash and cash equivalents, were commenced on March 8, 2021, with value date March 10, 2021. The payout of proceeds from the liquidation of the Liechtenstein-domiciled fund amounting to USD 480 mn (approximately 95% of the available cash and cash equivalents) will commence today, with the value date March 10, 2021. The remaining liquidation proceeds will be paid out as soon as practicable in one or more instalments until the investors receive the funds' total net liquidation proceeds. Investors will receive notification of such payments. Management fees are waived with immediate effect.

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

The amount distributed will differ from fund to fund as the underlying cash and cash equivalent levels differ. Credit Suisse Asset Management is focused on finding the right balance between maximizing value and the speed of liquidation.

The payment of the first instalment of the liquidation proceeds will be made to the respective depository/client account with value date March 10, 2021, as follows:

Credit Suisse Nova (Lux) Supply Chain Finance High Income Fund (approximately USD 260 mn)

ISIN	Share class	Currency	Proceeds per share
LU1799126948	DA	USD	146.37
LU1799127243	DB	USD	171.69
LU1799127326	DBH	CHF	158.84
LU1799128134	EBH	CHF	154.10
LU1799128217	EBH	EUR	156.68
LU1799128480	IA	USD	146.23
LU1799130387	IA10	USD	146.29
LU1799129454	IA5	USD	146.25
LU1799131518	IAH25	EUR	146.20
LU1799128993	IB	USD	166.19
LU1799130890	IB10	USD	168.08
LU1799131781	IB25	USD	161.47
LU1799129967	IB5	USD	166.90
LU1799129025	IBH	CHF	154.99
LU1799129298	IBH	EUR	156.26
LU1799129371	IBH	GBP	160.33
LU1962447865	IBH	JPY	14,975
LU1799131948	IBH25	EUR	154.73

Credit Suisse Nova (Lux) Supply Chain Finance Investment Grade Fund (approximately USD 110 mn)

ISIN	Share class	Currency	Proceeds per share
LU2105087832	DB	USD	454.22
LU2105086511	DBH	EUR	449.58
LU2105088053	IB	USD	452.75
LU2105086784	IBH	EUR	448.39

Credit Suisse (Lux) Supply Chain Finance Fund (approximately USD 2.2 bn)

ISIN	Share class	Currency	Proceeds per share
LU1624420318	DA	USD	312.70
LU1598746565	DBH	EUR	321.15
LU1624422280	IAH25	EUR	312.40
LU2035390371	IAH25	JPY	31,246
LU1624422108	IA25	USD	312.61
LU1624421555	IA5	USD	312.50
LU1598747530	IBH10	SEK	314.59
LU1598747969	IBH25	CHF	316.08
LU1598747886	IBH25	EUR	319.65
LU2035390967	IBH25	JPY	31,572
LU1881904301	IBH25	SGD	315.57
LU1624420821	IBH5	EUR	317.11
LU1881903915	IBH5	SGD	313.40
LU1598748348	IB100	USD	326.98
LU1598746482	DB	USD	352.49
LU1598746995	DBH	CHF	318.53
LU1664199483	IAH10	JPY	31,298
LU1598747290	IBH10	EUR	318.64
LU1624421126	IBH5	GBP	326.94
LU1598747027	IB10	USD	345.54
LU1598747704	IB25	USD	347.60
LU1624420748	IB5	USD	342.33

Credit Suisse Supply Chain Finance Investment Grade Fund (approximately USD 480 mn)

ISIN	Share class	Currency	Proceeds per share
LI0439111449	IB	USD	742.36
LI0439111456	IB 25	USD	729.37
LI0439111209	DB	USD	748.12
LI0499305824	DA	USD	721.06

7. Is there a timeline of the liquidation process according to which Credit Suisse Asset Management will make the next payments to investors?

Credit Suisse Asset Management is committed to winding down the funds in an orderly manner in the best interest of its investors. At this point, we are not in a position to commit to any payout dates.

8. 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 instalments. Payments will be made in the fund currency. Clients holding an account in the corresponding currency and 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.

9. Will an alternative investment option be available for investors in the SCFFs?

There are currently no plans to offer an alternative investment option to investors.

10. 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 are waived with immediate effect.

11. 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.

12. Are there any US investors in the SCFFs?

The SCFFs are not eligible for distribution in the US or to US clients, and are not managed in the US. The volume for the SCFFs (approx. USD 10 bn) constitutes a very small portion of Credit Suisse Asset Management's overall AuM (over USD 450 bn) and Credit Suisse Asset Management's revenues, and represent one investment strategy out of the many different investment strategies that CSAM offers its clients worldwide.

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

As of March 8, 2021, the following funds are invested in the SCFFs:

Fund	% of fund TNA*
Credit Suisse (Lux) Multi Strategy Bond Fund	9.59%
Credit Suisse (Lux) Multi Strategy Alternative Fund	7.95%
Credit Suisse (Lux) Qatar Enhanced Short Duration Fund	6.66%
Credit Suisse (Lux) Institutional Target Volatility Fund EUR	2.24%

* Without consideration of cash distribution as of March 10, 2021

Taking into account the wind down of the SCFFs and the current difficulty in establishing an accurate price for their shares, the Board of Directors decided to temporarily suspend also the calculation of the net asset value per share, the issuance, redemption, and conversion of shares from or into the four funds that are invested in the SCFFs.

The decision took effect on March 1, 2021. Various options for reopening of the funds for subscriptions, redemptions, and conversions as soon as possible are currently being considered.

14. What is the relationship of this decision by Credit Suisse Asset Management to recent media reports that Tokio Marine has stopped providing insurance to Greensill? Was CSAM aware of the dispute between Tokio Marine and Greensill that took place in November 2020 and still continued the marketing of the SCFFs? Tokio Marine also owns Insurance Australia's Trade Credit Insurance business. The fund materials show these entities as two different insurance companies – does that misrepresent the concentration to a single insurer?

Credit Suisse Asset Management was not informed of any insurance cancellation until very recently. While Tokio Marine acquired the Bond and Credit Company (BCC) – a specialist product insurance underwriting agency – back in April 2019, the existing policies from Insurance Australia remain unchanged.

15. 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.

16. Please provide full transparency on the holdings of the fund in order for investors to evaluate themselves the potential recovery.

We cannot disclose full transparency on holdings, there could be negative complications for obligors having to look for alternatives for their financing needs. We are exploring other options.

Legal Notes:

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