

Structure:

Single Australian-domiciled open-ended unregistered unit trust; unlevered fund

Manager:

Epsilon Direct Lending Pty Ltd

Trustee & Custodian:

Guildfords Funds Management Pty Ltd

Key Investment Restrictions:

(i) No investments may be made in subordinated loan instruments; (ii) No investments to be made in any senior loans where any Epsilon managed fund holds a subordinated loan instrument or equity warrants for the same borrower

Target Total Return:

8.9% based on a Total Target Return of BBSW + 4.5% p.a. (net) and assuming a 3-month BBSW of 4.4% at 30 June 2023¹

Inception Target Date:

18 May 2023

Subscriptions:

Monthly applications

Distributions:

Quarterly

Eligibility:

Wholesale Investors

Minimum initial investment:

\$250,000 (unless otherwise approved)

Management Fee:

0.75% p.a. (ex GST) on NTV with upfront loan fees and other ancillary fees paid to the Fund

Performance Fee:

20% of returns above the hurdle of BBSW + 2.75% p.a. with no catch up

Liquidity²:

The Manager will undertake to maintain a cash (or equivalent liquid investments) holding of at least 10% of NTV at all times (Liquidity Buffer) to meet limited redemptions. Redemption Requests to be made on 30 days written notice to the Trustee prior to calendar month end. The Trustee may accept or reject a Redemption Request in its absolute discretion. Where a Redemption Request has been accepted by the Trustee, redemption proceeds must be paid within 30 days. Redemptions will bear an exit fee of 0.5% of the redemption price

Fund Description

The Epsilon Direct Lending Senior Loan Fund ("Fund") provides individually structured and documented, senior secured floating rate loans to high quality, resilient middle market companies domiciled in Australia and New Zealand, requiring capital for growth and event-driven purposes such as leveraged buyouts, acquisitions and expansions. The Fund seeks to capitalise on the demand / supply market imbalance, resulting from the retrenchment of traditional bank lenders providing flexible funding to middle market companies, due to tightening regulatory, capital and cost pressures. The Fund is domiciled in Australia and managed by Epsilon Direct Lending Pty Ltd ("Epsilon"), a specialist, Australian based, private credit asset management firm.

Fund Objectives³

The Fund aims to deliver investors attractive absolute and risk-adjusted returns, recurring income, capital preservation, low volatility and monthly liquidity².

Investment Highlights



Direct origination of hard to access, quality corporate lending opportunities



Reliable, defensive income, with attractive yield premium, capital stability & low correlation



A highly experienced, cohesive & aligned investment team with a strong track record



Proven investment & risk management processes with a focus on downside protection



Control lender with a quality bias on borrowers, loan structures & portfolio management

Investment Strategy & Focus

Disciplined and opportunistic, and focused on compelling corporate lending opportunities incorporating the key tenets:



Types of Borrowers & Transactions We Target

Loans to middle market companies for growth purposes

*Performing credit
(BBB- to B credit rating)*



The Way We Lend & The Finance We Provide

Control lender (Bilateral focus), we structure loans for risk

Thorough due diligence & strong lender protections



High-Touch Portfolio Management

Regular borrower interaction, reporting & access

Highly analytical, monthly portfolio monitoring system

Ability to take action on loans

Investment Team Attributes & Differentiation⁴

Epsilon's key point of differentiation is the Investment Team's ability to originate and structure privately negotiated loans directly with PE sponsors and owner/operators of middle market companies, rather than simply participating in the broadly syndicated loan markets. In Epsilon's view, this provides Fund investors with the potential for higher returns, greater influence over loan structure, terms and conditions, and ongoing loan portfolio management.

Contact Details

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IMPORTANT INFORMATION

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This communication is current as at 30 June 2023. Notes: (1) This is a target only. The Fund may not achieve this return; (2) The Liquidity Buffer has been designed to meet a limited number of small redemptions in any given month. The Fund's ability to maintain the Liquidity Buffer is reliant on new applications and loan repayments; (3) These are targets only. The Fund may not achieve these objectives; (4) Past performance of the Manager is no guarantee of future performance.