

westbrooke dynamic opportunities UK fund PLC

2022 / 2023 vintage

opportunity overview – Q3 2022



westbrooke
Alternative
Asset
Management

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key highlights



A debt-led approach to UK private equity investing



Contractual revenue streams with the protections of debt



Additional potential upside through equity warrants / co-investment



3 – 5 year target duration on each underlying instrument, with proceeds returned to investors on exit



A diversified portfolio of 5 – 10 investments across the UK



Target investor IRR of 12%+ in GBP (net of all fees and costs)



Including a target cash yield of 4% p.a.



Returns linked to interest rates, providing an inflation hedge

background to our hybrid capital platform

Providing bespoke financing solutions to a range of UK companies alongside best of breed partners, Westbrooke Alternative Asset Management UK's ("WAAM UK" or "Westbrooke") hybrid capital platform offers investors the ability to generate a unique, asymmetric risk / return profile by participating in a combination of debt and equity financing transactions alongside Westbrooke shareholders and management.

By providing flexible funding solutions to a variety of sponsors in the UK lower-mid-market ("LMM"), WAAM UK is able to structure tailored funding packages for clients. These comprise primarily of debt finance (senior, junior and mezzanine) solutions, but through the favourable negotiating position of being a key funder, we are able to participate in the businesses' inherent upside by negotiating an element of equity co-investment. This can take the form of preferred equity, equity warrants, direct equity co-investments or a combination of these instruments.

the market opportunity

A variety of key themes have created an attractive investment opportunity for hybrid capital investment in the UK LMM. These include:

- the retreat of banks from the LMM segment following the Global Financial Crisis;
- the ending of Covid-19 lending schemes in 2021;
- hesitancy amongst incumbent lenders regarding general market outlook going forward;

- a nascent alternative lending market which remains hamstrung by tight investment mandates;
- an increasing desire on the part of incumbent equity investors to partner with flexible funding providers who can assist them in enhancing equity returns.

The combination of the above factors has created a unique gap which WAAM UK has increasingly capitalised on.

introducing the WDO UK fund

Westbrooke Alternative Asset Management UK is pleased to launch the inaugural Westbrooke Dynamic Opportunities UK Fund Plc – 2022 / 2023 vintage ("WDO UK" or the "Fund"), which aims to provide investors with a unique blend of debt-like risk protection (including an interest coupon, security, enforcement rights and a defined exit term) with the potential for equity-like returns.

This is achieved by blending these debt and equity instruments, providing investors with a portfolio of capital preservation focused yielding debt investments, with the ability to achieve outperformance through the equity positions taken.

[click here](#) to view the detailed fund information memorandum

westbrooke's hybrid capital track record

Since the establishment of our presence in the UK in 2017, Westbrooke Alternative Asset Management UK ("WAAM UK" or "Westbrooke") has built a meaningful track record investing in a variety of debt instruments in the UK lower-middle market ("LMM") segment. To date, the business has successfully deployed over £250m across 110+ transactions, spanning across senior secured debt, mezzanine finance and preferred equity instruments in both real estate and corporate credit.

WAAM UK has provided a total of £58m across five transactions within the hybrid capital strategy. With an average 4-year investment horizon, the current portfolio targets an overall weighted average annual return of 12.0% + per annum in GBP (net of all fees and costs). This return is comprised of a weighted average annual debt yield of 10.0% per annum (of which 4.0% is cash paid and 6.0% is rolled up) and the remaining return being earned through the equity participations taken.*

*Please note that these historic transactions will not be included in the WDO UK Fund and that past performance is not necessarily an indication of future returns.

	Project Talbot	Project Melrose	Project Beta	Project Sky	Project Brew
Date closed	December 2020	August 2021	November 2021	April 2022	May 2022
Borrower / investee	Folkestone Fixings	Melrose Education Group	Acal BFi	New SPV with a lease to StayCity Aparthotels	New SPV with a lease to Marston's Plc
Sector	Building products	Special education needs schools	Electrical components	Hotels	Pubs
Facility type	Debt + preferred equity	Preferred equity	Debt + equity participation	Preferred equity	Debt + equity participation
Total funding package	£19.6m	£7.0m	£10.5m	€15.0m	£7.8m
Total hybrid capital instrument size	£7.6m	£7.0m	£8.0m	€6.5m	£3.8m
Overall expected IRR	12.5% - 17.5% p.a.	11.3% - 22.6% p.a.	12.5% p.a.	10.1% - 24.0% p.a.	9.0% - 11.0%
Target yield – cash	4.75% p.a.	–	5.0% p.a.	–	8.0% p.a.
Target yield – PIK	5.25% p.a.	9.0% p.a.	6.0% p.a.	11.5% p.a.	-
Equity stake taken	7.9%	30%	2.8%	50% (with a ratchet mechanism)	3.5%
Target return from equity participation	2.5% - 7.5% p.a.	2.3% - 13.6% p.a.	1.5% p.a.	0% - 12.5% p.a.	1.0% - 3.0% p.a.
Transaction term – debt	5 years	n/a	3.25 years	4 years	4 years
Transaction term – equity	5 years	6 years	5 years	4 years	4 years
Transaction partner	H2 Equity Partners	Innervation Capital Partners	H2 Equity Partners	Song Capital	Song Capital and Cerberus Capital
Percentage of overall portfolio	24.6%	16.2%	25.9%	20.9%	12.3%

the current market context

The timing for the launch of the WDO UK Fund is opportune, for both investors and borrowers.

Many investors are currently seeking secured, higher yielding investment opportunities which have the ability to outperform in the context of the current economic landscape which is characterised by volatile and declining

public markets, high inflation and rising interest rates. The WDO UK Fund provides such an opportunity.

For borrowers, the current UK market dynamics have created a strong demand for flexible funding solutions in the UK LMM. This has allowed WAAM UK to build a strong origination pipeline into which the Fund will be invested going forward.

fund investment parameters

Business types	
Geography	Primarily UK headquartered
Sector	Agnostic
EBITDA	Target minimum of £2m
Cash flow	Performing businesses with consistent cash flows
Management	Proven track record and aligned (no county-court-judgments (CCJS) or historic defaults on debt)
Transaction types	
WDO facility size	Target of £5m - £20m
Term	Target 2 – 5 years
Repayment profiles	Bullet / amortising / bespoke
Return components	Yield (cash and / or accrued) and equity participation
Ranking	Senior / mezzanine / preferred equity
Covenants	Quarterly on leverage, cash flow cover, capex, cash balance and others by exception
Fund portfolio limits	
Maximum obligor exposure per transaction	Maximum of 20%
Minimum diversification	5 transactions
Target diversification	5 - 10 transactions

expected returns

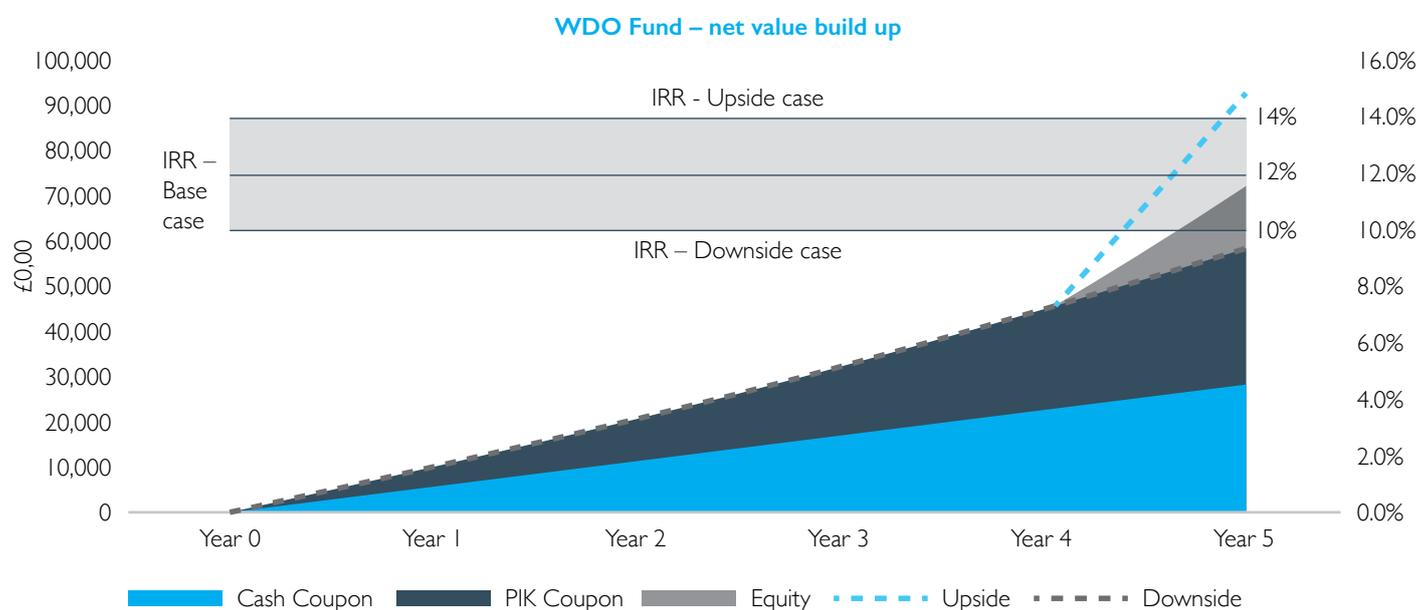
The Fund targets to generate a net annual IRR of 12%+ in GBP (after all fees and costs), comprising of:

Yield on debt positions taken:

- Cash yield of 4% per annum;
- Payment in kind ("PIK") yield of 6% per annum; and

Upside on equity positions taken:

- 2%+ per annum.

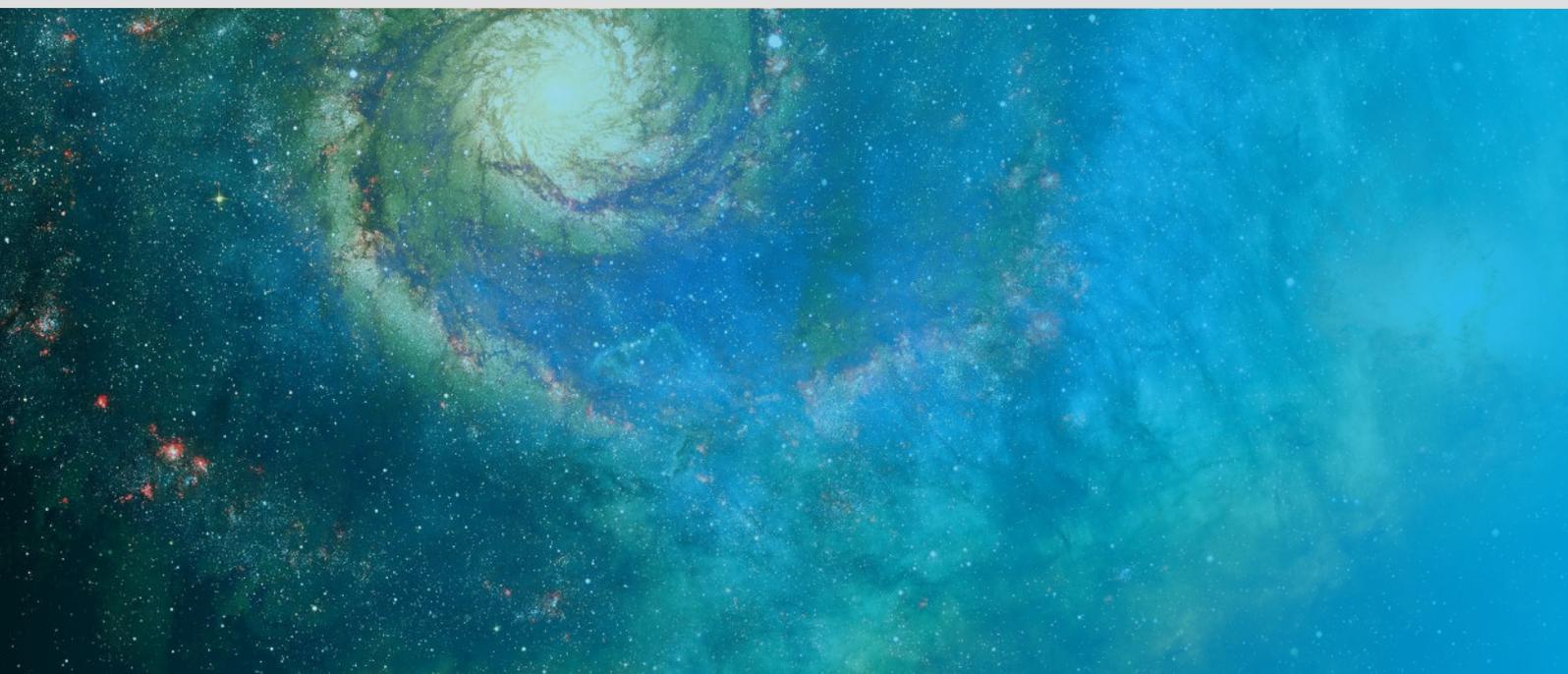


key terms and fund mechanics

- The Fund will raise capital on an annual, vintage basis. The current 2022 / 2023 vintage targets to raise a maximum amount of £100m, at which point it will be closed for new investments.
- It is envisaged that the 2022 / 2023 vintage will target to establish a portfolio of between 5 – 10 transactions, with no single investment comprising more than 20% of the Fund NAV.
- The Fund will enjoy a first right to all investments concluded in the WAAM UK hybrid capital platform. No investors will be provided with

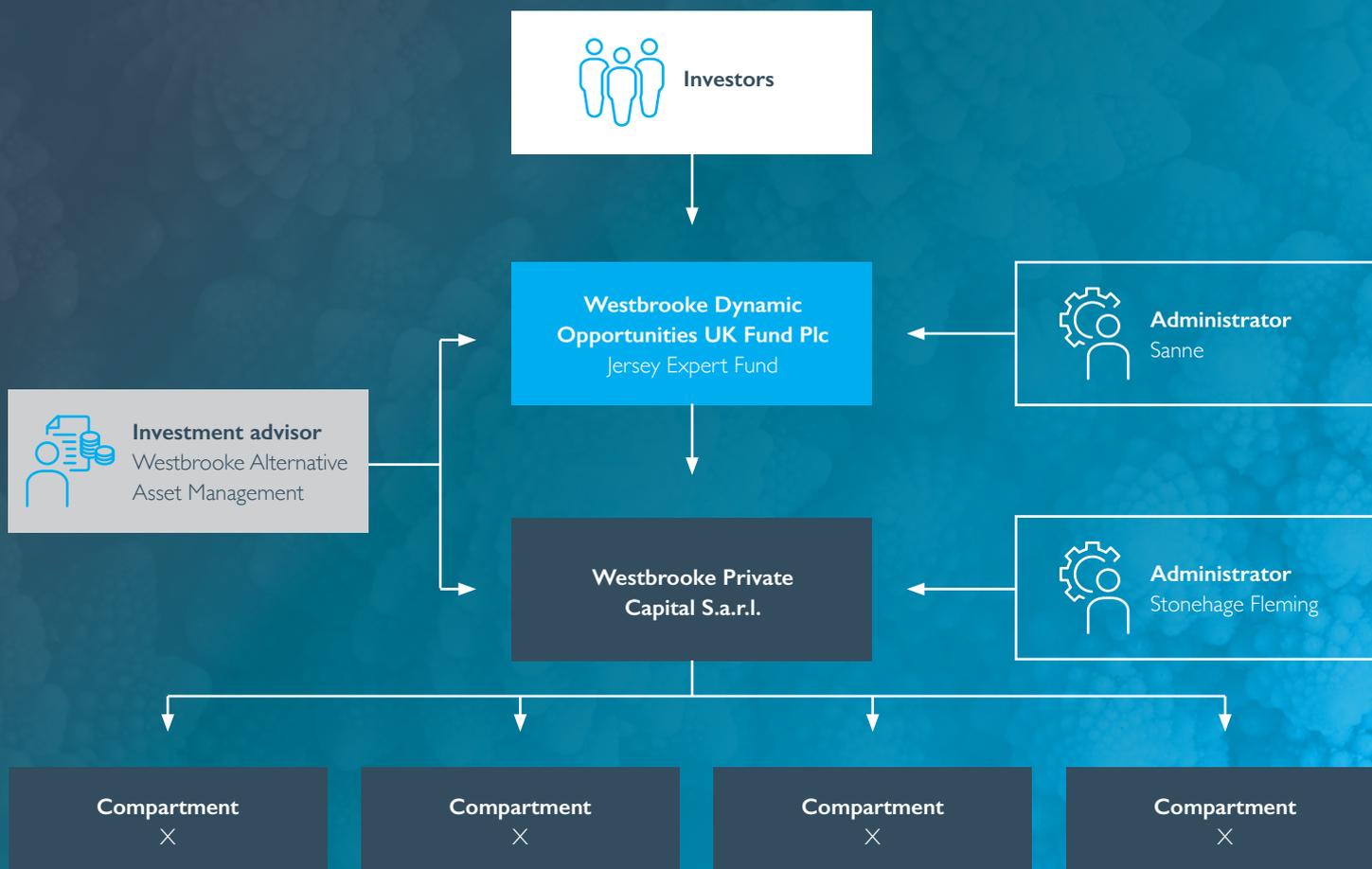
the opportunity to co-invest alongside WAAM UK outside of the Fund unless the Fund has reached applicable exposure limitations, at which point Fund investors who have invested £1m and above will be provided with an exclusive first right to co-invest in these deals outside of the Fund.

- Once the 2022 / 2023 vintage has completed its investment mandate, the Fund will launch a second vintage by way of a separate capital raise in a new share class. Through this mechanism, investors are provided with the opportunity to vintage their allocations to the Fund on an annual basis.



term sheet

Company	Westbrooke Dynamic Opportunities UK Fund Plc
Investment advisor	Westbrooke Alternative Asset Management UK Limited
Regulation	Jersey Expert Fund, regulated by the Jersey Financial Services Commission
Currency	Pound Sterling (GBP / £)
Year end	March
Administrator	Sanne Group Plc
Target investment profile	Maximum 24-month investment period and 60-month hold period (underlying loan term 2 - 5 years)
Minimum investment amount	Direct investors: £250,000 (smaller amounts may be accepted on application) Wealth manager advised clients: £100,00
Target IRR and return	Target net investor IRR of 12%+ per annum (after fees and costs) Comprising: - Debt yield: target 4.0% p.a. cash paid and 6.0% p.a. accrued - Capital appreciation through equity participation: target 2.0%+ p.a.
Distribution profile	The Fund will not reinvest any income or capital received
Portfolio composition	The portfolio will be diversified against a target of 5 - 10 transactions, with a maximum single investment exposure of 20%
Share classes	Investors are invited to invest in the following share classes: <ul style="list-style-type: none"> • Class A1 shares (drawdown share class) • Class A2 shares (fully drawn share class)
Drawdowns	<ul style="list-style-type: none"> • Clients can either fully fund their commitment upfront or fund their commitment in line with the capital calls issued by WAAM UK • Funds in the fully funded share class will be invested by WAAM in accordance with a treasury management strategy in a combination of money market and high-yield credit funds. These may include Westbrooke managed funds / products • Where clients fully fund their commitments upfront, their capital will only be considered to be invested as if it had been invested in line with the capital calls issued to class A1 shareholders
Management fees	<ul style="list-style-type: none"> • Drawn capital - 1.50% p.a. • Undrawn capital - 0.75% p.a. <p>Fees in the A2 share class will mirror those charged to class A1 investors i.e. there is no financial penalty to the investor for investing in the A1 share class</p>
Performance fees	Performance fees will be tiered based on the below: <ul style="list-style-type: none"> • 15.0% performance fee (with catch-up) above a hurdle IRR of 8.0% • 20.0% performance fee (with catch-up) above a hurdle IRR of 15.0%
Investor reporting	<ul style="list-style-type: none"> • Semi-annual fact sheet providing a general update on the portfolio (for the periods ending March and September) • Quarterly investment statements (for the periods ending March, June, September and December)



timing and next steps

Investors now have the opportunity to subscribe for an allocation to the inaugural WDO UK Fund, alongside Westbrooke group, its shareholders, and related entities.

The Fund is targeting a maximum capital raise of £50m and a first close at the end of August 2022. **The deadline for applications in the Fund is Wednesday, 31 August 2022.**



about westbrooke alternative asset management

Founded in 2004 and with offices in the UK, USA and South Africa, Westbrooke Alternative Asset Management invests, manages and advises capital in multiple geographies on behalf of its shareholders and investors in private debt, hybrid capital, real estate, private equity and venture capital.

Westbrooke Alternative Asset Management was established as a multi-asset, multi-strategy manager of alternative investment funds and products structured to preserve and compound our clients' wealth to cement their future prosperity.

For more information, or to find out how to invest, please contact us.



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