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Presale:

# Astrea V Pte. Ltd.

**May 22, 2019**

*(**Editor's Note:** In the original version of this presale report published on May 22, 2019, the net asset value of the issuer's portfolio was misstated in the first paragraph of the Portfolio Characteristics section. A corrected version follows.)*


PRIMARY CREDIT ANALYST

**Jesse R Sable, CFA**
New York
(1) 212-438-6719
jesse.sable
@spglobal.com

SECONDARY CONTACT

**James Yu, CFA**
New York
212-438-0336
james.yu1
@spglobal.com

ANALYTICAL MANAGER

**Kate R Scanlin**
New York
(1) 212-438-2002
kate.scanlin
@spglobal.com

RESEARCH ASSISTANT

**Mariana Gurevich**
New York


## Preliminary Ratings

| Class | Preliminary ratings | Preliminary amount (mil. $) | Scheduled call date (years) | Legal maturity date (years) | LTV (%)(i) |
|---|---|---|---|---|---|
| Credit facility | NR | US$238(ii) | N/A | 10(iii) | N/A |
| A-1 | A+ (sf) | S$315(iv) | 5 | 10 | 17.4 |
| A-2 | NR | US$230 | 5 | 10 | 17.4 |
| B | NR | US$140 | N/A | 10 | 10.5 |
| Equity | NR | US$813 | N/A | N/A | N/A |

Note: This presale report is based on information as of May 22, 2019. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. (i)LTV calculated as a percentage of total portfolio net asset value. (ii)Credit facility is sized to 50% of the aggregate unfunded capital commitment plus a variable portion starting at $130m as of closing and stepping down over time. (iii)The credit facility terminates on the earlier of 10 years or the date on which both the class A and class B bonds have been redeemed, discharged, and/or fully repaid. (iv)Or US$230 million equivalent. LTV--Loan-to-value. S$--Singapore dollars. NR--Not rated. N/A--Not applicable.

## Profile

| | |
|---|---|
| Expected closing date | June 2019. |
| First payment date | December 2019. |
| Collateral | Cash flows from a portfolio of 38 private equity funds, diversified by vintage, sector, geography, and strategy. |
| Issuer | Astrea V Pte. Ltd. |
| Sponsor | Astrea Capital V Pte. Ltd., a Singapore company wholly owned indirectly by Azalea Asset Management Pte. Ltd. |
| Manager | Azalea Investment Management Pte. Ltd., a wholly owned investment management subsidiary of Azalea Asset Management Pte. Ltd. |
| Transaction and fund administrator | Sanne (Singapore) Pte. Ltd. |
| Bond trustee | DBS Trustee Ltd. |
| Security trustee | DB International Trust (Singapore) Ltd. |

### Profile (cont.)

| | |
|---|---|
| Accounts bank | DBS Bank Ltd. |
| Credit facility providers | DBS Bank Ltd. and Standard Chartered Bank. |
| Hedge counterparties | DBS Bank Ltd., The Hongkong and Shanghai Banking Corp. Ltd., and Standard Chartered Bank (Hong Kong) Ltd. |
| Lead managers | Credit Suisse (Singapore) Ltd., DBS Bank Ltd., and Standard Chartered Bank (Singapore) Ltd. |

## Transaction Overview

Astrea V Pte. Ltd. ("Astrea V") is a collateralized fund obligation transaction managed by Azalea Investment Management Pte. Ltd. ("Azalea"), a wholly owned investment management subsidiary of Azalea Asset Management Pte. Ltd. It is backed by cash flows from a portfolio of private equity buyout and growth equity funds.

By net asset value (NAV), this transaction is collateralized by cash flows generated by a portfolio of private equity funds comprising 81% buyout private equity funds and 19.0% growth equity funds. In addition, by NAV, the transaction's funds are split geographically as follows: 56.1% U.S., 22.3% Asia, and 21.6% Europe. The A-1 bonds are denominated in Singapore dollars (S$), but were sized to be equivalent to US$230 million.

Both the A-1 and A-2 bonds are expected to be fully reserved for by their scheduled call date, as distributions from the underlying funds are deposited into the class A reserves account. One hundred percent of proceeds available at step 8 in the priority of payments, up to the semi-annual reserve amount targets (as specified in table 4 below), will be deposited in the reserves account. Though the class A reserves account and scheduled reserve amounts are designated for the benefit of both the A-1 and A-2 bonds, repayment of the class A bonds from the reserves account is made sequentially on the scheduled call date, first to the A-1, then to the A-2 bonds, in the event the reserve amount is insufficient to redeem both classes of bonds simultaneously.

To mitigate the currency risk of paying the principal and interest of the A-1 bonds in S$, the issuer is entering into a currency hedge to exchange US$ for S$. Additionally, the issuer will enter into a currency hedge to exchange euro for USD. The hedge will be sized to cover approximately 75% of the euro NAV. Distributions to equity are permitted under the priority of payments (as long as the loan-to-value (LTV) trigger has not been breached) after the semi-annual reserve amount has been deposited.

The transaction also has a credit facility to cover cash flow shortfalls on certain senior fees and expenses, interest on the class A-1, A-2, and B bonds, and capital calls.

The credit facility size, which will not exceed $300 million, will be made up of the sum of a scheduled component that will step down from an initial $130 million over time (per the schedule in table 5 below), and a component equivalent to 50% of the undrawn capital commitment. As of closing, the facility size is expected to be approximately $238 million.

Capital calls (drawdowns) on the underlying funds will be funded first by available cash in the operating accounts; to the extent there are shortfalls, the credit facility will cover them up to the available facility amount.

## Rationale

The preliminary 'A+ (sf)' rating assigned to Astrea V's class A-1 S$315.00 million bonds reflects the following:

- The substantial private equity investing experience of the manager, Azalea.
- The diversification of the portfolio of funds, across fund managers, regions, investment sectors, and fund vintages.
- The legal maturity of the bonds, which is 10 years from the issue date. Private equity funds' cash flows are less predictable than those of fixed-income instruments but have historically followed a J-curve, which may extend up to 10 years (see "CDO Spotlight: Global Criteria for Private Equity Securitization," published Jan. 18, 2006). A legal maturity date that generally matches the lifespan of a diversified portfolio of underlying private equity funds allows the transaction to be less susceptible to any short-term delay in fund distributions.
- The static nature of the portfolio of private equity fund investments, which does not allow the manager to alter the composition of the portfolio through purchases of additional funds.

## Transaction strengths

The transaction's strengths, in our opinion, include the following:

- The subordination provided by the structure. Subordination below the class A-1 bonds is approximately 65.2% based on the portfolio NAV (they are pari passu with the class A-2 bonds).
- The structural features that protect the bondholders, which include a reserve account that is funded after interest payments on the class A and B bonds, and is intended to fully repay the principal of the class A bonds on their scheduled call date. The transaction also includes a LTV trigger, set to 50%, that redirects residual cash flow to the reserve account when the trigger is breached.
- The 5.4 weighted average age of the underlying funds purchased by the issuer (the weighted average vintage is 2014 by NAV). Relative to a portfolio of more seasoned private equity funds, these funds may generate more cumulative net positive cash flows over their remaining life.
- The availability of the credit facility, initially sized to approximately US$238 million (to step down over time in accordance with table 5), to cover shortfalls in nondeferrable expenses, class A and B interest, and capital calls from the underlying funds. The facility's initial available amount will exceed the total undrawn capital commitment amount for the funds held in the issuer's portfolio, estimated at approximately US$215 million as of March 31, 2019.

## Transaction weaknesses

We believe the transaction's weaknesses include the following:

- The expected source of cash flows for the timely payment of interest and ultimate repayment of principal of the rated bonds comes from investments in private equity funds, an illiquid asset class with volatile cash flows.
- The class A-1 bonds are denominated in S$, while the underlying fund cash flows are in US$ and euros.

- Relative to a portfolio of more-seasoned private equity funds, these funds may take longer to return positive net cash flow during the transaction's 10-year legal term, as they are generally at an earlier stage on their expected J-curves.
- The portfolio includes 19.0% growth equity funds and 22.3% Asia-based private equity funds. These allocations are higher than those of the previous transaction (Astrea IV). Our methodology for analyzing the magnitude and timing of future capital calls and distributions of private equity funds was designed for U.S. and European buyout or venture capital funds. We have made certain adjustments in our cash flow projections to account for the potential mismatch between the Asian funds and the data used in our model.
- Distributions to equity are permitted while the class A bonds are outstanding, as long as the semi-annual scheduled reserve account deposit has been made. Historically, some private equity securitizations have not allowed for equity distributions while the debt classes remain outstanding.
- There is a lack of consistency and standardization of information inherent in the reports produced by the private equity fund managers about the performance of their underlying investments.

## Mitigating factors

We believe the following factors partially mitigate the transaction's weaknesses:

- The substantial cash-generating capacity of private equity funds, which we expect to meet the obligations of the bonds prior to their legal maturities given our rating scenario assumptions.
- The availability of the credit facility, designed to ensure timely payment of nondeferrable expenses, bond interest, and any capital calls not covered by the operating accounts.
- The series of currency hedges into which the issuer will enter to minimize the mismatch between asset cash flows denominated in US$ and euros, and payments due to the liabilities in US$ and S$. This will include (1) a series of forward contracts to exchange the euro-denominated asset cash flows for US$ and (2) a separate set of forward contracts to exchange US$ cash flows from the assets and amounts in the reserve account for S$ to pay the interest and principal of the class A-1 bonds. All hedges are expected to satisfy our counterparty criteria related to derivatives for securities rated at the 'A+' level.
- The conservative 35% haircut we applied to future distributions from Asian private equity funds in our rating stress, to account for any potential mismatch between Asian private equity fund performance and the non-Asian fund performance on which our methodology was based. We note that this haircut is lower than the 45% we applied to the Astrea IV portfolio; that reduction was informed by additional analysis we did comparing the data in our U.S.-based J-Curve database with external performance data on Asian private equity funds.
- Our view that growth equity funds can be appropriately modeled as buyout funds for the purposes of our quantitative analysis, despite the fact that our methodology was not originally designed to address growth equity funds. This view is based on our analysis of the magnitude and velocity of historical returns for growth equity funds from 1990 to 2010; we observed that their distributions were similar to those of buyout fund strategies over the same period.
- The semiannual scheduled US$46 million reserve amount payments designed to fully reserve class A principal by the scheduled call date. Though distributions to equity will be allowed after these scheduled reserve account payments have been made in priority of payments, they can

only continue as long as the LTV trigger has not been breached. Furthermore, although the semi-annual reserve payment amounts are sized to fully reserve for both the class A-1 and A-2 bonds by the scheduled call date, the scheduled reserve account balance is expected to fully cover the class A-1 bond within five payment periods (2.5 years) from closing. The reserve account balance will be used to pay down the class A-1 bond, then the class A-2 bond, sequentially, on the later of the scheduled call date and the payment date on which there is sufficient cash in the reserve account to pay down the class A-1 bond in full.

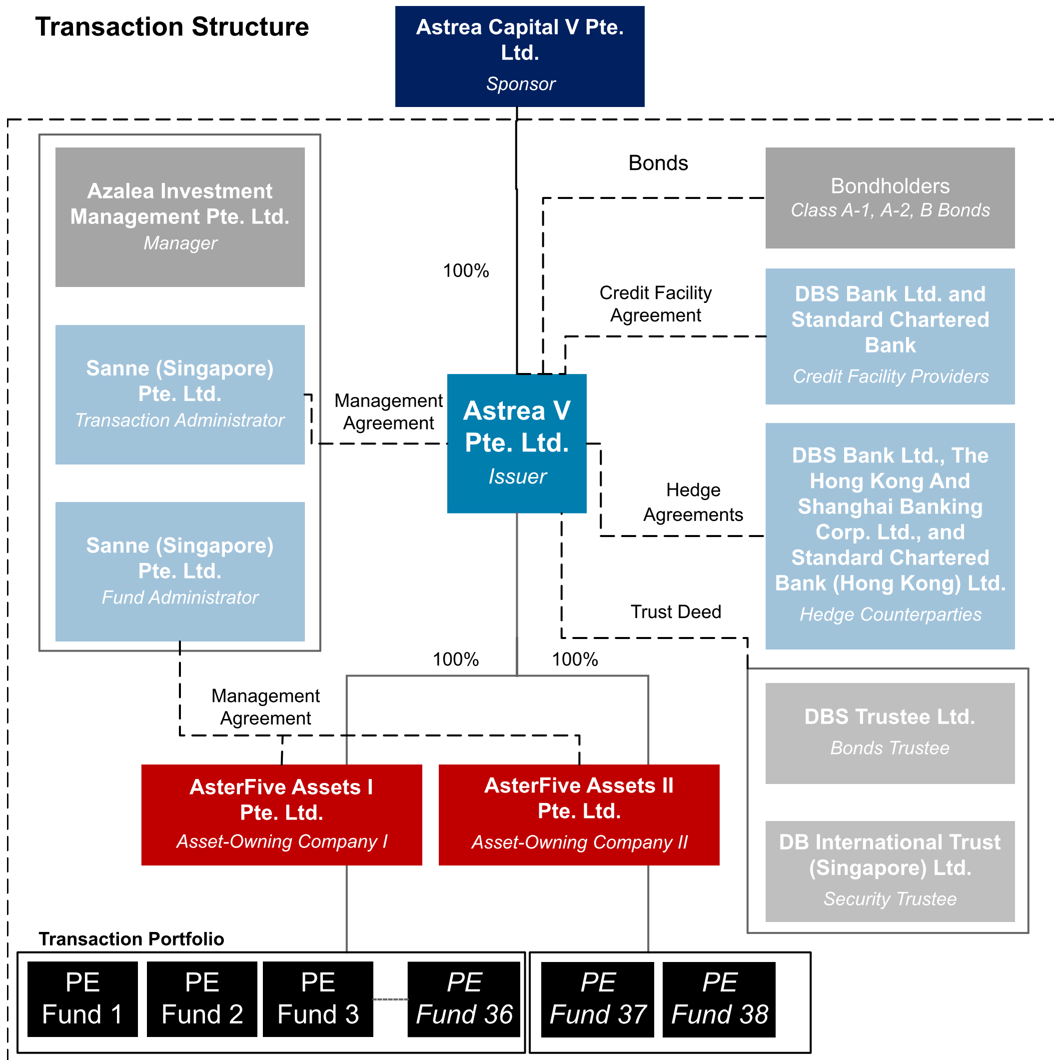
- The availability of additional cash contributions to the reserve account, in the form of 50% of the cash flow that would otherwise flow to the sponsor in step 13 of the priority of payments, if certain performance conditions are met. Such contributions would facilitate a more rapid buildup of reserves for the redemption of the class A bonds on the scheduled call date.

## Transaction Structure

Astrea V Pte. Ltd., a bankruptcy-remote company incorporated with limited liability under the laws of Singapore, will issue the bonds. The issuer's capitalization (excluding accumulated profits) consists of ordinary shares and preference shares, shareholder loans (100% of which are held by Astrea Capital V Pte. Ltd.), and the class A-1, A-2, and B bonds. The issuer holds a 100% shareholding interest in two holding companies (which we refer to as the "asset-owning companies"): AsterFive Assets I Pte. Ltd. (AOC I) and AsterFive Assets II Pte. Ltd. (AOC II).

The asset-owning companies hold the fund investments and are the limited partners for each of the underlying limited partnership interests. AOC I holds 36 fund investments, and AOC II holds the remaining two. The asset-owning companies' capitalization (excluding accumulated profits) comprises ordinary shares, preference shares, and shareholder loans (100% of which are held by the issuer as described above). The asset-owning companies will transfer all cash distributions from the fund investments to the issuer daily via a combination of repayment of the issuer's shareholder loans and the payment of dividends--or redemptions--relating to the shares held by the issuer in the asset-owning companies. The issuer will apply such distributions semiannually in accordance with the priority of payments (see table 2).

Chart 1

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## Collateral

The bonds, credit facility, and hedge counterparties will be secured by:

- A first fixed charge by the issuer of its shares in the asset-owning companies, which are limited partners for the 38 private equity funds in the portfolio, and all dividends in respect of such shares;
- A first fixed charge by the issuer of its bank accounts and custody accounts;
- An assignment (as security) of the issuer's rights under the shareholder loan agreements between the issuer and the respective asset-owning companies;
- A first floating charge by the issuer and sponsor of their respective undertaking and all their assets;

- A first fixed charge by the sponsor of its share in the issuer and the dividends in respect of such shares;
- A first fixed charge by the sponsor of its bank accounts and custody accounts; and
- An assignment (as security) of the sponsor's rights under the sponsor shareholder loan agreement between the sponsor and the issuer.

## Portfolio Characteristics

On the closing date, the issuer's subsidiaries will have limited partnership interests in 38 private equity funds with an approximate NAV of US$1.324 billion. The funds are managed across 32 general partners and are diversified by geography, sector, strategy, and vintage.

Chart 2

**Portfolio Net Asset Value By Geography**

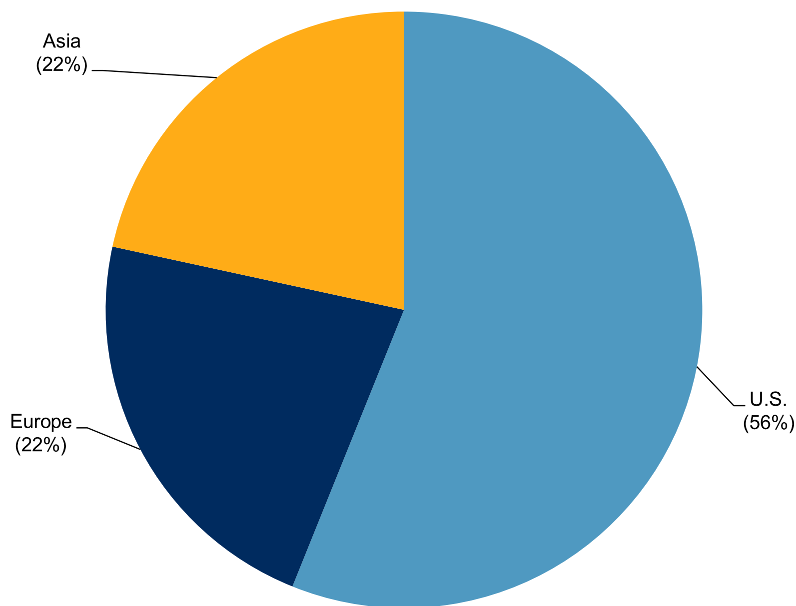


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Chart 3

**Portfolio Net Asset Value By Sector**
Based on underlying company investments

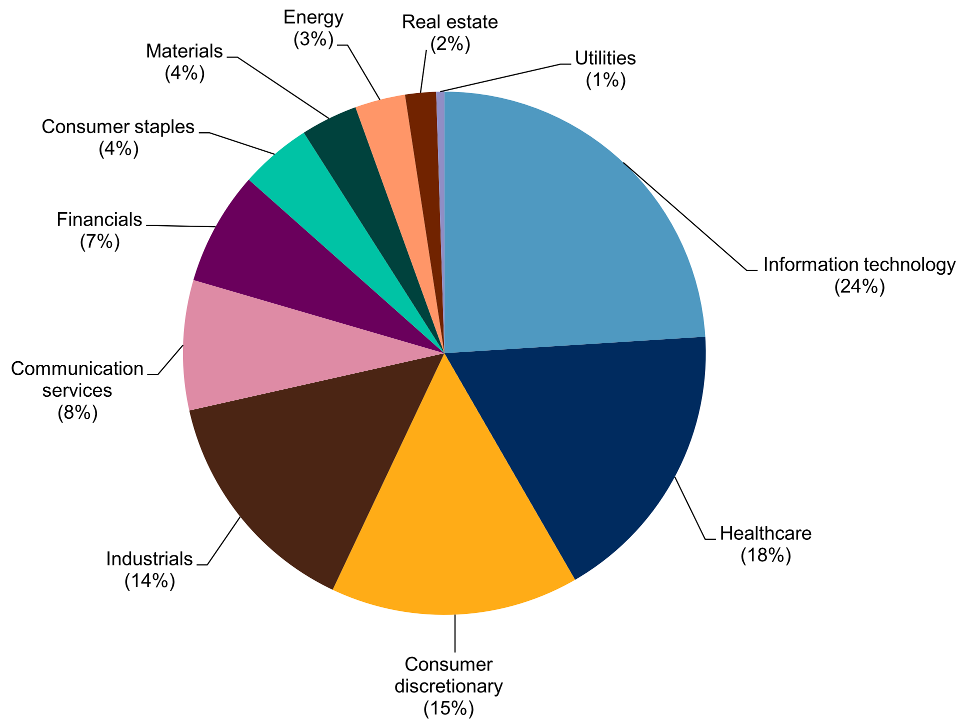


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Chart 4

### Portfolio Net Asset Value By Vintage

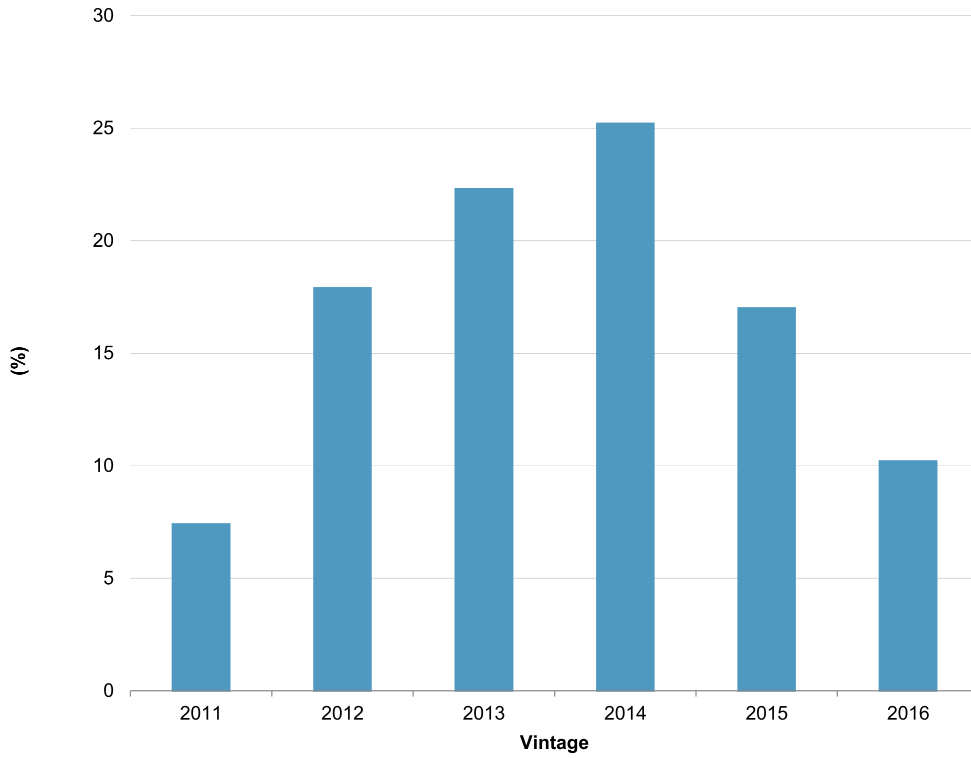


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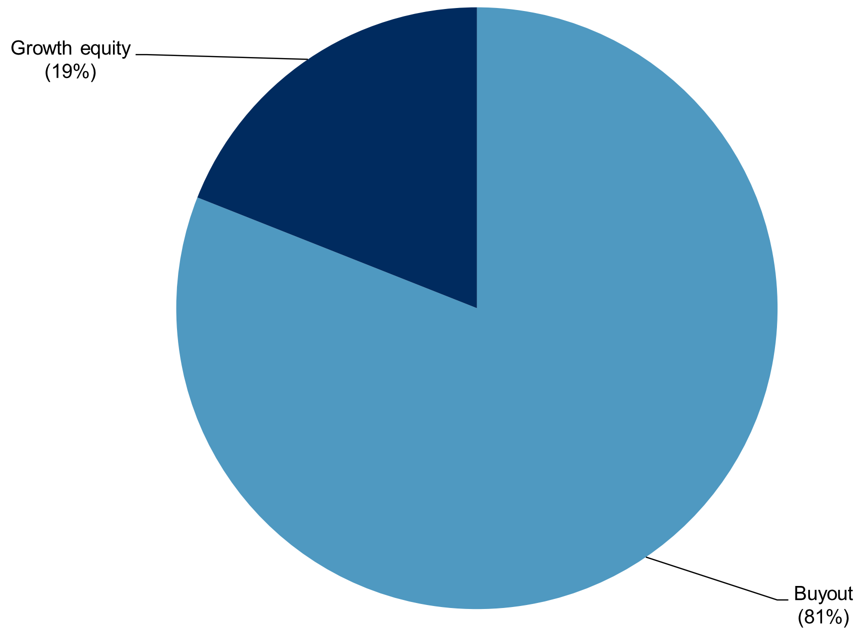
Chart 5

**Portfolio Net Asset Value By Strategy**

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## Cash Flow Assumptions

Our methodology for rating debt backed by interests in a portfolio of private equity funds relies on a stochastic approach in which cash flow paths are simulated. Each represents a possible cash flow path for the aggregated funds that are in the portfolio. For each path, estimated fund cash flows are applied to pay the CFO's obligations according to its priority of payments (see "CDO Spotlight: Global Criteria For Private Equity Securitization," published Jan. 18, 2006).

S&P Global Ratings projects the expected cash from a well-diversified pool of private equity funds by sampling individual J-curves of fully liquidated vintages that have the same characteristics as each of the individual funds in the pool. To achieve that goal, we use the mean, median, and standard deviation statistics available from 1980 through 2002 for each of the four risk parameters that compose a J-curve (money multiple, internal rate of return, speed of draw, and depth of curve) to create J-curves that are sampled in a stochastic Monte Carlo process. In this way, a historical set of J-curves, each of which is statistically feasible, is stochastically created.

To estimate the expected future cash flow of the CFO, we combined a historical simulation of J-curves (through a historical sampling approach) with a stochastic parametric simulation of a public market index that is used to conservatively deflate the portfolio's cash distributions. Using this approach, we created a stochastic cash flow path by first sampling a vintage year from the

pool of fully liquidated vintage years and, further, a set of J-curves that have the same characteristics as the funds being sampled from the drawn vintage year. In addition, S&P Global Ratings uses a parametric approach to simulate the performance of the relevant public markets over the same projection period to compare their return performance with that of each private equity fund in the drawn vintage year. If the returns of the vintage year exceed the public market returns, the cash flow returns of each fund in such vintage year are reduced by an amount that would equate the returns of that vintage year to those of the public market (an adjusted J-curve). For U.S. private equity funds, the relevant public markets are the S&P 500 for buyout funds and the NASDAQ 500 for venture capital funds.

We then apply the committed capital of such funds to the adjusted J-curve pattern to estimate its expected future cash flow. The total amount of cash flow the CFO is capable of generating in a single stochastic path is estimated as the sum of all the funds. Simultaneous to such sampling, we simulate an interest rate model to estimate the cost of the rated liabilities.

The total amount of cash flow over the entire exposure period is then applied to a priority of payments that incorporates all of the CFO's obligations, including funding capital calls, payment of fees and expenses, and payment of the rated liabilities (timely interest and principal at maturity).

If cash flows are insufficient to pay a liability in full, that path is deemed to be a failed path for the purpose of rating that liability. After running the stochastic simulation a sufficient number of times to ensure model stability, the number of failed paths is counted and compared with the total number of paths run to compute the probability of default of each of the liabilities rated. To determine whether a liability is able to sustain a particular rating, the number of failed paths has to be commensurate with the default probability of a corporate obligation with a rating equal to the rating sought and with a tenor equal to the weighted average maturity of the liabilities in the number of paths run. For example, if the default probability for a rated 10-year corporate bond was 1%, the number of failed paths out of a 100,000 run can be 1,000 at most.

## Cash Flow Results

As previously discussed, to determine whether a liability is able to achieve a given rating level, the number of failed paths in our cash flow modeling simulation has to be commensurate to the default probability of a corporate obligation with a rating equal to the rating sought and with a tenor equal to the weighted average maturity of the liabilities in the number of paths run (50,000 in this case). Stated differently, the private equity securitization debt may not be any more risky than an equivalently rated corporate obligation (it cannot have a higher default probability than the corporate obligation). The following are the percentage of failed paths for the class with preliminary ratings, along with its weighted average maturities in our cash flow simulation and the relevant corporate default probability to which we are comparing the percentage of failed paths.

Table 1

### Cash Flow Modeling Results

| Class | Preliminary rating(i) | Failed paths in our simulation (%) | Weighted average maturity (years) | Corporate default probability for rating and maturity (%) |
|---|---|---|---|---|
| A-1 | A+ (sf) | 0.054 | 5 | 1.102 |

(i)The rating on each class of securities is preliminary and subject to change at any time.

We note that the 0.054% failed path percentage shown in table 1 is below the 1.102% hurdle we

look to for a five-year 'A+ (sf)' rating; it is also below the 0.150% hurdle we would look to for a five-year 'AAA (sf)' rating. That is because our preliminary 'A+ (sf)' rating reflects the following constraints:

- S&P Global Rating's sector cap of 'AA (sf)' for private equity CFOs (stated in our criteria "Assumptions: Risk Profile Of Global Private Equity Securitizations No Longer Supports 'AAA' Ratings," published Feb. 13, 2009)
- A maximum potential rating of 'AA- (sf)' implied by the minimum eligible hedge counterparty rating of 'A- (sf)' and the lack of a collateral posting requirement for the transactions hedge counterparties (this equates to a replacement trigger of 'A- (sf)' and a "Weak" collateral posting requirement, per table 2 of S&P Global Ratings' "Counterparty Risk Framework: Methodology and Assumptions," published March 8, 2019)
- Consideration of the limited observed, though stable, performance for S&P Global Ratings' rated private equity CFOs post-crisis. We may revise this qualitative adjustment if we observe stable performance as we surveil the transaction, for example with regard to equity distributions and scheduled reserve account deposits.

## Sensitivity Analysis

### SGD hedge analysis

The class A-1 bonds are S$ denominated, while the asset cash flows will generally be US$ and euro-denominated. As a result, the issuer will be entering into a series of forward currency agreements to minimize the mismatch between asset cash flows denominated in US$ and euros, and payments due to liabilities in US$ and S$. There will be separate forward agreements relating to the fixed interest payments and full principal repayment of the A-1 bonds through their scheduled call date in year five.

S&P Global Ratings does not currently have published currency stress assumptions related to S$. Despite that limitation, we have incorporated projected asset cash flows beyond year five in our scenarios by applying a haircut to all US$-denominated cash flows received from the funds following the expiration of the forward agreements reflecting a 50% decline in the US$ to S$ exchange rate. This haircut only affects those scenarios where the available US$ amount is insufficient to redeem the class A-1 bonds in full on the scheduled call date. Even given the application of this conservative haircut, our model indicated that the class A-1 bonds would still be able to sustain an 'A+ (sf)' rating level.

## Payment Priority

Prior to an enforcement event, the issuer will be required to disburse all amounts in the operating account according to the following priority of payments:

Table 2

### Payment Priority

| Priority | Payment |
|---|---|
| 1 | Taxes and administrative expenses of the issuer and asset-owning companies, up to a cap of US$0.90 million per distribution period. |

Table 2

## Payment Priority (cont.)

| Priority | Payment |
|---|---|
| 2 | Payments of amounts due to hedge counterparties, other than those payable in item 12 below. |
| 3 | Management fees. |
| 4 | Credit facility commitment fees; then credit facility interest expense (and any other payables); and then credit facility principal repayment. |
| 5 | Class A-1 and A-2 interest expense (on a pro rata and pari passu basis). |
| 6 | Class B interest expense. |
| 7 | If net cash proceeds are received from the sale or disposal of fund investments, payment of 100% of cash flow remaining to the reserve accounts (or, if the reserve accounts cap has been met, to the principal repayment of the class B bonds) until the amount paid in this step is equal to (but does not exceed) the total amount of net cash proceeds received so far. Upon and after the full redemption of all class A-1, to the repayment of the outstanding principal amount of the class A-2 bonds, and thereafter to the repayment of the outstanding principal amount of the class B bonds. |
| 8 | To the reserve account: For losses realized on investments held in the reserve custody account until such losses have been recouped; then for the unpaid reserve amount applicable to such distribution date; and then for the reserve amount applicable to such distribution date. Upon and after the full redemption of all class A-1 bonds, to the repayment of the outstanding principal amount of the class A-2 bonds. |
| 9 | Upon the full repayment of the class A-1 and A-2 bonds, 90% of remaining cash flow to the principal repayment of the class B bonds. |
| 10 | If the LTV exceeds the maximum LTV ratio, then 100% of cash flow remaining to the reserve accounts (or if the reserve account caps have been met, to the principal repayment of the class B bonds), until the maximum LTV ratio is no longer exceeded. Upon and after full redemption of all class A-1, to the repayment of the outstanding principal amount of the class A-2 bonds, and thereafter to the repayment of the outstanding principal amount of the class B bonds. |
| 11 | Administrative expenses in excess of the cap in item 1. |
| 12 | Payment of any hedge unwind costs incurred due to an event of default under any hedge agreement where the counterparty is the defaulting party or a termination event where the counterparty is the affected party. |
| 13 | Payment for the following uses in the following order: prior to the performance threshold being met on any distribution date falling on or before the scheduled call date, (i) payment of 100% of the cash flow remaining after application of items 1-12 of the priority of payments to the sponsor until the performance threshold is met. If and after the performance threshold has been met on a distribution date falling on or before the scheduled call date, the following order shall apply to cash flow remaining after application of item 13(i) on that distribution date, as well as to cash flow available under item 13 on each subsequent distribution date up to and including the distribution date falling on the scheduled call date: (ii) payment to the bonus redemption premium reserve accounts until the aggregate amount so paid under this item 13(ii) is equal to 0.5% of the principal amount of the class A-1 bonds as of the issue date; (iii) payment to the sponsor and the reserve accounts in equal proportions until the reserve accounts cap has been reached; and, (iv) after the reserve accounts cap has been reached, payment of 100% of the cash flow remaining after application of items 1-12 of the priority of payments to the sponsor. On each distribution date falling after the scheduled call date: payment of 100% of the cash flow remaining after application of items 1-12 of the priority of payments to the sponsor. |

The "performance threshold" is defined as the threshold where the aggregate cash received by the sponsor on or prior to the scheduled call date pursuant to step 13(i) of the priority of payments has exceeded US$407 million (equal to 50% of the total equity of the issuer following the issuance of the bonds and repayment of part of the sponsor shareholder loan).

Following an enforcement event, the issuer will be required to disburse all amounts in the operating account according to the following post-enforcement priority of payments:

Table 3

## Post Enforcement Payment Priority

| Priority | Payment |
|---|---|
| 1 | Taxes and administrative expenses of the issuer and asset-owning companies. With regard to administrative expenses, only those amounts required for enforcement of the rights of the bonds will be paid under this item. |
| 2 | Payments of amounts due to hedge counterparties, other than those payable in item 10. |
| 3 | Payment of unpaid commitment fees on the credit facility, then payment of unpaid accrued interest (and any other payables), then payment of outstanding principal of the credit facility. |
| 4 | Payment of class A-1 and A-2 interest (on a pro rata and pari passu basis). |
| 5 | Repayment of the outstanding principal amounts of the class A-1 and A-2 bonds (on a pro rata and pari passu basis). |
| 6 | Payment of accrued and unpaid interest on the class B bonds |
| 7 | Repayment of the outstanding principal amount of the class B bonds. |
| 8 | Payment of unpaid administrative expenses not paid in item 1. |
| 9 | Funding of capital calls on the fund investments. |
| 10 | Payment of any hedge unwind costs incurred due to an event of default under any hedge agreement where the counterparty is the defaulting party or a termination event where the counterparty is the affected party. |
| 11 | All remaining cash flow to the sponsor. |

The scheduled reserve amounts are the following:

Table 4

## Reserve Amount Schedule

| Distribution Date | Reserve Amount (mil. $) |
|---|---|
| 1 | 46.0 |
| 2 | 46.0 |
| 3 | 46.0 |
| 4 | 46.0 |
| 5 | 46.0 |
| 6 | 46.0 |
| 7 | 46.0 |
| 8 | 46.0 |
| 9 | 46.0 |
| 10 | 46.0 |

The credit facility available amount, which will not exceed $300 million at any time, will be calculated as the sum of a scheduled component that will step down in accordance with the schedule in table 5 below and a component equivalent to 50% of the aggregate undrawn capital commitments of the asset-owning companies.

Table 5

### Credit Facility Step-Down Component Schedule

| Period | Amount (mil. $) |
| --- | --- |
| Issue date through the third anniversary of the issue date (the day immediately after which is the first CF step-down date) | 130 |
| First CF step-down date through the sixth anniversary of the issue date (the day immediately after which is the second CF step-down date) | 100 |
| Second CF step-down date through the termination date (the earlier of the ten-year legal maturity and the date on which all classes of bonds are redeemed in full) | 40 |

CF--Credit facility.

## Events of Default

Under the transaction documents, an event of default includes the following:

- Failure to make any interest or principal payments when due.
- Insolvency or moratorium declared in respect of any indebtedness of the issuer.
- Any corporate action, legal proceeding, or other procedure leading to (1) a suspension of payments, a moratorium of indebtedness, winding-up, dissolution, judicial management, administration, or reorganization of the issuer or the sponsor; (2) a composition, compromise, assignment, or arrangement with any creditor of the issuer or the sponsor generally; or (3) an appointment of a liquidator, receiver, judicial manager, administrative receiver, administrator, compulsory manager, or similar other officer of the issuer or the assets of the issuer or the sponsor.
- Any expropriation, attachment, sequestration, distress, or execution that affects all or any material part of the assets of the issuer or sponsor and is not discharged within 30 business days.
- It becomes unlawful for the issuer to perform any of its obligations under the transaction documents.
- The occurrence of any enforcement action with respect to the security documents, which is continuing.
- The occurrence and continuance of any event of default defined under the credit facility agreement.

## Manager Termination Events

Under the transaction documents, the issuer will have the right to terminate the securitization manager after the occurrence of any of the following:

- A manager bankruptcy or insolvency.
- Failure to approve and execute capital calls on behalf of the asset-owning companies.
- An event of default under the trust deed due primarily to a breach by the manager of any of its obligations under the management agreement.

- A material breach of certain representations and warranties by the manager.
- Certain inability of the manager to provide services.
- A material or persistent breach of its other obligations under the management agreement.
- Fraud or criminal activity.

## Legal Matters

In rating this transaction, we will review the legal matters that we believe are relevant to our analysis, as outlined in our criteria.

## Surveillance

We will maintain active surveillance on the rated bonds until the bonds mature or are retired. The purpose of surveillance is to assess whether the bonds are performing within the initial parameters and assumptions applied to each rating category. The transaction terms require the issuer to supply periodic reports and notices to S&P Global Ratings for maintaining continuous surveillance on the rated bonds.

## Related Criteria

- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria - Structured Finance - General: Foreign Exchange Risk In Structured Finance--Methodology And Assumptions, April 21, 2017
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Criteria - Structured Finance - CDOs: Assumptions: Risk Profile Of Global Private Equity Securitizations No Longer Supports 'AAA' Ratings, Feb. 13, 2009
- Criteria - Structured Finance - CDOs: CDO Spotlight: Global Criteria For Private Equity Securitization, Jan. 18, 2006

## Related Research

- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Counterparty Risk Framework: Methodology And Assumptions," March 8, 2019; "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?," March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings,"

Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.

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