Next Edge Private Debt Fund

March 3, 2020

An open-ended investment product that offers investors access to investments in predominantly secured, short-term loans through experienced credit advisors, with independent oversight.

CORONAVIRUS UPDATE

As the Coronavirus (COVID-19) continues to spread and general fear amongst investors has become heightened, we felt it would be prudent to communicate our views and the impact we feel it may have on the Next Edge Private Debt Fund's portfolio (the "**Portfolio**").

Considering our investor base is likely very well versed on the Coronavirus impact thus far, along with the variety and wide range of predictions going forward, our focus in this update will be on what we are seeing currently as it relates to the Next Edge Private Debt Fund (the "**Fund**") and the steps that we are taking to robustly manage the Portfolio throughout this troubling period.

The recent general equity market sell-off is a reaction to the potential implications the Coronavirus may have on the global economy, along with potentially heightened valuations to begin with. With regard to the impact on the Portfolio, we do not price the loans based on market sentiment, but rather on the true value of the loan. These loans are typically priced at par; however, they are evaluated each month to determine any impairments to such valuations that may be needed based on our expected ability to recover the full principal value back.

The Fund is vastly diversified by the number of positions, types of loans, as well as by geography throughout North America, which reduces the risk of overexposure to any one sector or region. As of January 31, 2020, the Portfolio is broadly diversified with exposure to 173 factoring, asset-based ("ABL"), specialty finance or similar type loans with 161 unique clients - and transactions in 32 states and 6 provinces. Presently, the geographic weighting of the portfolio is 54.3% US and 45.7% Canadian. Of these positions, 126 are factoring positions or facilities (of which 87% are credit insured), 35 are asset-based loans, and 12 are asset-based specialty finance loans. Top regional exposures are in Ontario, New York, South Carolina, Texas, British Columbia, Illinois, North Carolina and Quebec.

We have the following findings and information to pass along from a recent meeting with the senior members of the Fund's credit team concerning the Coronavirus outbreak:

- The Fund's credit team is seeing very little impact on the Portfolio with regards to the general financial health of the positions and underlying companies.
- The average days outstanding of our factoring receivables book are in a positive range, and we are not seeing an increase in dilution. Also, the percentage of receivables over 90 days past due is small and stable. Lastly, a leading indicator would be volume dropping off, which we have not seen to-date.
- The Fund's credit team is actively monitoring our collateral base on all of our positions and is seeing no deterioration of these factors.
- The Fund's credit team has not seen any significant deterioration as far as financial results; however, we understand that this could be a lagging indicator. That being said, the Fund's credit team believes we would see it in the collateral performance, which we are not.
- The Fund's credit team is in the process of actively reaching out to our clients/end-debtors with a series of questions related to any impact or the foreseeable impact they may have from the epidemic. We are also reaching out to them to ensure they have disaster recovery plans and offering to help our clients in any way we can from our collective knowledge on preparedness.
- The primary risk to our Portfolio relates to the general health of the economy/recession risk as to which the companies we lend to would generally not be immune to. That doesn't mean that they cannot still repay us; however, earnings generally decrease in most industry sectors during an economic recession. The recession question is still to be determined.
- The Fund has little exposure in the Portfolio to some of the hardest hit sectors such as airlines, tourism and manufacturing.
- The Portfolio's main exposure to an area of concern would be in the energy sector, directly and indirectly (transportation and service providers). The exposure on the factoring side is generally credit insured, and the largest end debtors tend to be very large-capitalization companies. On the asset-based loan side in this sector, the exposure has very conservative loan-to-value ratios, and the loans are to companies the team has fostered close relationships and lines of communication with.
- Financing options such as bank capital, capital markets and private markets freezing up could impact the Portfolio in a few ways. The Portfolio companies having fewer options for raising equity and debt capital to fund future needs. With regards to our ABL loans, there would be refinancing risk associated with that as well.

In summary, there has been little impact on the Portfolio and the companies we deal with to date. The Fund's credit team is actively monitoring the Portfolio's collateral base and, in addition to regular contact and monitoring of these end debtors, a proactive communication approach has and will continue to be taken with these clients for leading information on potential impact to their companies from this Coronavirus situation.

As always, please do not hesitate to contact us should you have any further questions or queries on this matter or anything else regarding the Fund.