ARC Ratings (UK) Limited, affirms the ratings on the Notes issued by GLQC S.À.R.L., GLQL S.À.R.L., ELQ Investors VI Ltd. and Mercer Investments (Singapore) Pte. Ltd, all with stable outlook

London, 1 July 2021 - ARC Ratings (UK) Limited (ARC) has affirmed the final, long-term public ratings of 'BBB' to the various Guaranteed Floating Rate Notes outlined in the table below, issued by: GLQC S.À.R.L., GLQL S.À.R.L., ELQ Investors VI Ltd., and Mercer Investments (Singapore) Pte. Ltd., all with stable outlook. The ratings address the timely payment of interest and the ultimate repayment of principal, all in reference to an aggregate funding amount of USD 12.3bn.

The holders of the Notes issued by each Issuer in this transaction benefit from a mutual exchange of guarantees and security, the assets from the aforementioned Issuers are fully fungible and cross-collateralised. The cross-collateralised framework is further reinforced by the transaction being ring fenced.

Issuer	Issuance Principle Amount	Reference Rate	Issue Date	Rating Class	Rating	Outlook	Next Review Date
GLQC S.À.R.L.	EUR 2,500m	12M EURIBOR	20 May 2019	Guaranteed Floating Rate Notes (Series 2019-AA, Series 2019-AB, Series 2019-AC, Series 2019-AD)	BBB	Stable	1 July 2022
GLQL S.À.R.L.	EUR 493m	12M EURIBOR	20 May 2019	Guaranteed Floating Rate Notes	BBB	Stable	1 July 2022
ELQ Investors VI Ltd.	EUR 953m	12M EURIBOR	20 May 2019	Guaranteed Floating Rate Notes (Series 2019-C, Series 2019-D)	BBB	Stable	1 July 2022
Mercer Investments (Singapore) Pte. Ltd.	USD 800m	12M USD LIBOR	14 June 2019	Guaranteed Floating Rate Notes (Series 2019-EA and Series 2019-EB)	BBB	Stable	1 July 2022
Mercer Investments (Singapore) Pte. Ltd.	EUR 1,800m	12M EURIBOR	12 March 2020	Guaranteed Floating Rate Notes (Series 2020-A)	BBB	Stable	1 July 2022
Mercer Investments (Singapore) Pte. Ltd.	AUD 1,516m	6M BANK BILL RATE	18 March 2020	Guaranteed Floating Rate Notes (Series 2020-B)	BBB	Stable	1 July 2022
GLQC S.À.R.L.	EUR 1,400m	12M EURIBOR	4 May 2020	Guaranteed Floating Rate Notes (Series 2020-AE)	BBB	Stable	1 July 2022
GLQC S.À.R.L.	EUR 906m	12M EURIBOR	18 September 2020	Guaranteed Floating Rate Notes (Series 2020-AF)	BBB	Stable	1 July 2022
ELQ Investors VI Ltd.	EUR 600m	12M EURIBOR	3 December 2020	Guaranteed Floating Rate Notes (Series 2020-E)	BBB	Stable	1 July 2022

TRANSACTION OVERVIEW

The Guaranteed Floating Rate Note issuances, totalling USD 12.3bn, have a maturity date of 9 November 2023 and are backed by a cross-collateralised pool of assets with a fair market value ('FMV') of USD 19.1bn as at 25 June

2021, thereby providing credit enhancement of 35.7%. This rating follows the various rating actions taken by ARC on 7 December 2020 and addresses some key amendments to the transaction as follows:

i. Previously GLQI provided an overarching guarantee as parent entity to the Issuers, which has now been removed. Nevertheless, the underlying pool continues to be cross-collateralised by the guarantees provided between the Issuers.

ii. Whilst the issued notes continue to have different reference rates, as shown in the table above, the margins have been reduced to 0.33%, except for the Notes issued by Mercer, which remain at 2.25%.

iii. Whilst the transaction contains some structured finance characteristics, ARC has removed the (sf) modifier to avoid any inference that the transaction is a securitisation, as per the Securitisation Regulation, due to the absence of credit tranching distributing losses.

Issuer	Margin (December 2020)	Margin (June 2021)
GLQC S.A.R.L. (Series 2019-AA, Series 2019-AB, Series 2019-AC, Series 2019-AD)	2.25%	2.25%
GLQL S.A.R.L. (Series 2019-B)	2.25%	0.33%
ELQ Investors VI Ltd. (Series 2019-C, Series 2019-D)	2.25%	0.33%
Mercer Investments (Singapore) Pte Ltd. (Series 2019-EA and Series 2019-EB)	2.25%	2.25%
Mercer Investments (Singapore) Pte Ltd. (Series 2020-A)	2.25%	2.25%
Mercer Investments (Singapore) Pte Ltd. (Series 2020-B)	2.25%	2.25%
GLQC S.A.R.L. (Series 2020-AE)	2.60%	0.33%
GLQC S.A.R.L. (Series 2020-AF)	1.81%	0.33%
ELQ Investors VI Ltd. (Series 2020-E)	2.25%	0.33%

ISSUER PROFILES

GLQC S.À.R.L. (company number: B226524), GLQL S.À.R.L. (company number: B226520), ELQ Investors VI Ltd. (company number: 08491527) and Mercer Investments (Singapore) Pte. Ltd. (company number: 201530732W) all act as existing Issuers/ Guarantors in this transaction. Further details of the existing Issuers/Guarantors can be found in previous press releases available at www.arcratings.com.

The holders of Notes issued by each Existing Issuer/Guarantor and Acceding Issuer/Guarantor benefit from a mutual exchange of guarantees and security; namely being cross-guarantees and subject to parent pledges. Consequently, assets from GLQC S.À.R.L., GLQL S.À.R.L., ELQ Investors VI Ltd., ELQ Investors II Ltd. and

Mercer Investments (Singapore) Pte. Ltd. are fully fungible and cross-collateralised. It should be noted that, whilst ELQ Investors II Ltd. no longer has any rated issuances, the entity is still part of the cross-collateralised framework.

RATING RATIONALE

The ratings reflect the quality of the underlying collateral, the historical performance, and the legal and financial structure of the transaction.

Key Rating Drivers include:

- **Portfolio Credit Quality:** The weighted average credit rating of the portfolio continues to be 'B-/CCC+', implying relatively weak credit quality and thus high risk. This has a direct impact on ARC's base probability of default, and as such the deterioration of the weighted average rating could cause a rating action, though the results of ARC's sensitivity analysis below indicate this would require a considerable level of negative rating migration.
- **Portfolio Diversification:** The portfolio continues to be well diversified geographically, across 37 countries with the United States accounting the largest portion of the total FMV at 18.6%. Industry concentration has also reduced, with the largest corporate sector of real estate representing 24.9% of the total FMV (down from 34.5% as at 10 November 2020). These benefits are also amplified by the increased portfolio size (by FMV and number of issuers/assets), with the FMV of the portfolio increasing from USD 18.7bn (November 2020) to USD 19.1bn (June 2021). The portfolio credit quality and diversification have a direct impact on the asset-level model, which resulted in the 56.5% default rate assumption ARC modelled in a 'BBB' rating scenario.
- **Cross-collateralisation:** Assets from GLQC S.À.R.L., GLQL S.À.R.L., ELQ Investors VI Ltd. and Mercer Investments (Singapore) Pte. Ltd. remain fully fungible and cross-collateralised, providing additional support to each other due to the cross-guarantees provided. Each pool benefits from the total pool of underlying security and the transaction continues to be ring fenced. As a result, ARC considers the removal of the parent pledge provided by GLQI to be credit neutral.
- **Recovery Expectations**: ARC has modelled a 20.2% recovery rate assumption in ARC's 'BBB' rating scenario, an increase from 18.0% in November 2020 that reflects a slight improvement in the proportion of secured obligations versus unsecured. Whilst this is a low recovery rate assumption, it reflects the high-risk nature of the assets serving as security and, for a proportion of the portfolio, the poor legal framework available in certain jurisdictions to recover on the assets.
- **Credit Enhancement (CE):** The structural enhancement mechanisms in place for the Guaranteed Floating Rate Notes/Loans CE, include an Advance Rate of 64.3% which, combined with excess spread, is sufficient to protect the Guaranteed Floating Rate Notes against losses at the 'BBB' rating level. The Advance Rate has decreased slightly from 65.6% in November 2020, a credit positive.
- **Cash Flow Analysis:** ARC's cashflow model assessed the timely payment of interest and ultimate repayment of principal of the Notes by the maturity date of 9 November 2023. The model used the assumption that the assets with the highest yield defaulted first, putting the greatest pressure on excess spread and thus available credit enhancement. ARC also applied a market value stress for any assets that had a maturity date past that of the Notes. In doing so ARC determined that the transaction continues to withstand an increase in asset yields

commensurate with a 'BBB' rating scenario, with front loaded and stable default vectors applied. The increased excess spread as a result of the revised Note margins also improves the stability of the affirmed ratings.

ARC will continue to perform regular surveillance of the transaction, and should another Issuer or Creditor be added to the cross-collateralised pool, ARC will review the ratings accorded to GLQC S.À.R.L., GLQL S.À.R.L., ELQ Investors VI Ltd. and Mercer Investments (Singapore) Pte. Ltd..

ARC ran sensitivity tests to determine to what extent the performance of the portfolio would need to deteriorate in order for the rating to be downgraded. The table below shows the increase in the weighted average default probability (WAPD) for the underlying assets that would trigger a rating downgrade.

Increase in the base WAPD of:	Rating Change?
10%	One Notch Downgrade
20%	One Notch Downgrade
30%	Two Notch Downgrade

KEY TIPPING POINTS

Positive Turning Points

- Significant reduction of the Advance Rate, as a proportion of the Asset Pool Fair Market Value, coupled with an increase in the credit quality of the portfolio.
- Increased diversification benefits stemming from underlying industries and geographies.

Negative Turning Points

- Significant increase of the Advance Rate as a proportion of the Asset Pool Fair Market Value, coupled with a decrease in the credit quality of the portfolio.
- Reduced diversification benefits stemming from underlying industries and geographies.

RELATED CRITERIA AND RESEARCH

ARC Ratings' Global Structured Finance Rating Criteria (September 2020)

ARC Ratings' Collateralised Loan Obligation (CLO) Rating Criteria (February 2021)

The rating(s) were assigned by ARC Ratings (UK) Limited and endorsed by ARC Ratings, S.A. in accordance with Regulation (EC) N° 1060/2009 of the European Parliament and of the Council.

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This Review Report should be read together with initial Rating Report and with the subsequent Review reports.

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