

RATING ACTION:

ARC RATINGS ASSIGNS A PUBLIC, FINAL LONG-TERM A+ RATING TO THE GLOBAL NOTES ISSUED BY EASTERN CYPRESS COMPANY, WITH STABLE OUTLOOK

London, 22 December 2021 - ARC Ratings (UK) Limited (ARC) has assigned a public, final rating of 'A+' to the Global Notes issued by Eastern Cypress Company ('Eastern Cypress'), with stable outlook.

ISSUER	CLASS/TRANCHE	AMOUNT	RATING CLASS	RATING	OUTLOOK	NEXT REVIEW DATE
Eastern Cypress Company	Global Notes	EUR 140m	CLN	A+	Stable	22 December 2022

The A+ credit rating accorded to the Global Notes (the 'Notes') relates to timely payment of interest and the ultimate repayment of principal.

TRANSACTION OVERVIEW

The transaction, which is set up as a dual-SPV structure, with an insured downstream facility between a downstream SPV ('Western Cypress Company') and an upstream SPV ('Eastern Cypress Company'), and upstream financing, in the form of Notes issued by the upstream SPV, provides funding for the downstream SPV's limited partnership ('LP') investments in a basket of Private Equity Funds. The repayment of the insured downstream facility is primarily driven by the distributions from the Funds. Repayment of the Notes is therefore primarily driven by the distributions from the Funds, but is not dependent thereon. Rather should there be insufficient distributions from the Funds, an insurance policy ensures full repayment by the downstream SPV to the upstream SPV, thereby ensuring fully repayment of the Notes by the upstream SPV. A highly rated re-insurer assumes 100% of the insured risk.

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The insured downstream facility has a maturity date of 5 June 2029, which coincides with the end of the policy period (also 5 June 2029). The insurance policy includes a 30-day waiting period following the provision of a Proof of Loss in connection with non-payment under the insured downstream facility. As such the maturity on the Notes issued by Eastern Cypress Company have a maturity of 16 July 2029 thus allowing for sufficient time for the insurance policies to pay out in the event of a claim in connection with the insured downstream facility. The transaction is structured to ensure that if an Event of Default occurs under the insured downstream facility, and is uncured, the insurance will pay out, thereby allowing for full repayment repay of the Notes.

The insurance and re-insurance policy have limited conditionality (e.g. payment of initial premium which has already been satisfied), and limited exclusions (e.g. a fraudulent act or fraudulent omission) to which ARC's rating would not apply.

The transaction is structured to ensure that should the Insurance company become insolvent the transaction will continue with their rights and responsibilities assigned to other transaction parties (primarily the insured and the re-insurer). Therefore, there is no on-going dependency or credit risk on the insurer.

COUNTERPARTIES

Eastern Cypress Company ('Issuer', 'Upstream SPV') - validly incorporated under the laws of the Cayman Islands with registered address at c/o Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, PO Box 1350, George Town, Grand Cayman KY1-1108, Cayman Islands.

Western Cypress Company ('Downstream SPV') - validly incorporated under the laws of the Cayman Islands with registered address at Estera Trust (Cayman) Limited, Clifton House 75 Fort Street, PO Box 1350, George Town, Grand Cayman KY1-1108, Cayman Islands.

Insurer - a company validly incorporated under the laws of Bermuda.

Reinsurer - a company validly incorporated under the laws of Bermuda, rated A+/A1 by S&P and Moody's.

NatWest Markets PLC ('Administrative Agent') - a public limited company incorporated under the laws of Scotland with company number SC090312, with registered address at 36 St Andrew Square, Edinburgh, EH2 2YB.

Deutsche Bank Trust Company Americas ('Note Agent', 'Note Registrar', 'Paying Agent', 'Transfer Agent', 'Account Bank/Claim Paid Account') - a private limited company validly incorporated under the laws of the United States with company number 187205, with registered address at 1 Columbus Circle, 17th floor, New York, NY 10019.

KEY RATING DRIVERS

Reinsurer: The reinsurer has an Insurer Financial Strength rating of A+/A1 from S&P and Moody's. ARC has public access to these ratings and will monitor on an ongoing basis. Should there be any rating action on the re-insurer, ARC will review this rating. In addition, the linkage to the re-insurer is limited due to the existence of downgrade triggers, which include an Event of Default trigger if the re-insurer's rating degrades.

Legal Structure: The structure of this transaction is such that ARC is able to 'look-through' to the rating of the re-insurer given the limited conditionality and exclusions.

Account Bank Rating: ARC has not applied a rating cap as a result of the counterparty risk presented by Deutsche Bank Trust Company Americas (DBTCA). DBTCA has Short Term ratings of P-1 from Moody's and F2 from Fitch, both with Positive Outlook. Given the positive outlook on the F2 rating, ARC has determined on this occasion to not apply a rating cap to this rating.

SENSITIVITY ANALYSIS AND TURNING POINTS

Given the linkage to the re-insurers rating, any change (positive or negative) will result in a review of this rating.

RELATED CRITERIA

ARC Ratings' Global Structured Finance Rating Criteria (Sep 2021).

ARC Ratings' Global Credit Linked Note and Repackaging Vehicle Rating Criteria (Feb 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.

DISCLAIMERS

ARC Ratings only provides a rating of the rated securities or of the issuer and neither recommends nor will recommend how an issuer can or should achieve a particular rating outcome. A rating does not cover a potential change in laws and is not and cannot be regarded as an audit. Moreover, ARC Ratings is not a party to any transaction documents of the instrument/transaction it is rating. Users of our ratings should familiarise themselves with the transaction documents. ARC Ratings does not act as a legal, tax, financial, investment or other advisor and users should seek professional advice from appropriate third parties where necessary.

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ARC Ratings (UK) Limited is registered as a Credit Rating Agency with the United Kingdom Financial Conduct Authority, within the scope of the Statutory Instrument N° 266/2019, of 13 February, and recognised as ECAI.

Credit Ratings assigned by ARC Ratings are independent and forward looking opinions of the relative credit risks of financial obligations issued by various entities. The credit risk is the risk that an entity may not meet its financial obligations as they come due i.e. the capacity and willingness of an entity/issuer to make all required interest and principal payments on a given obligation in a timely manner in accordance with its terms. Credit ratings express risk in relative rank order – they are an ordinal measure of credit risk whose probability of default or loss may vary through the credit cycle. They are issued using an established and defined ranking system of rating categories (rating scale). ARC’s credit ratings are determined using ARC’s published rating criteria.

The rating(s) assigned by ARC Ratings in this report was/were sought by the entity whose financial commitments are being rated.

ARC Ratings provides to the entity whose financial commitments are being rated the documents that substantiate the rating to be attributed. This entity is thus given the opportunity to clarify or correct factual details. ARC Ratings also grants the issuer the possibility of appealing a rating accorded by ARC as long as this appeal is supported on additional information that hasn’t been taken into account in the original rating accordance.

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Ratings do not constitute a recommendation or offer or solicitation to buy or sell any investments that may be mentioned, and are only one of the factors that investors may wish to consider. The use of any rating is entirely at the user’s own risk.

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In the rating process, ARC Ratings adopts procedures and methodologies aimed at ensuring transparency, credibility and independence, and also that rating classifications are not influenced by conflicts of interest.

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