



EMERALDMEZZANINEFUND

Bridging the gap in real estate finance.

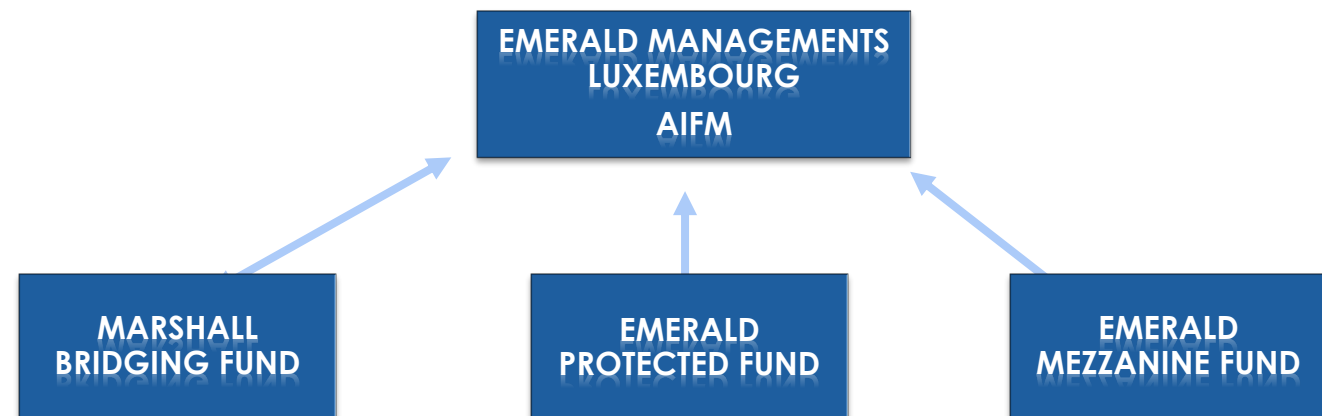
A specialised mezzanine asset backed financing fund targeting 13%-15% annual net returns managed by proven European property experts.



# EMERALD MANAGERMENTS LUXEMBOURG

- ⦿ Emerald Managements Luxembourg Emerald Managements Luxembourg (AIFM - Alternative Investment Fund Manager) is a Luxembourg regulated alternative asset manager focused on the field of lending with collateral being real estate.
- ⦿ The firm, through its several Luxembourg based funds (Luxembourg SIF as well as RAIF) has been in such field since 2015 with its flagship fund Marshall Bridging Fund, and later on developing niche strategies with Emerald Protected Fund (providing capital protection to investors) and Emerald Mezzanine Fund.

Emerald Managements Luxembourg is an Alternative Regulated Asset Manager in Luxembourg.





## HISTORICAL OUTPERFORMANCE OF EMERALD LENDING SKILLS

For over 7 years, Emerald Group has been underwriting loans, and gone over positive environments like the period prior Cov19, and also periods of extraordinary stress, like during Cov19.

The Management team has been able to demonstrate through this period, its capacity to manage difficult market circumstances of lack of credit, together with lack of liquidity, and reduce to a minimum its defaults, and when they happen, to recover such defaulted loans.

Number of Loans underwritten	AUM Loans Underwritten	Number of loans repaid	AUM Loans repaid	Current number of Loans
192	Over € 1 billion	134	605,950,000	58

During Cov19 times, the Management team has been able to recover 5 defaulted loans, showing the fund's investors the capacity of the Management team to find liquidity at proper prices even under such difficult times.

Historical Defaulted loans	Number of loans recovered	Capital Recovery Ratio of Capital	Interest Recovery Ratio	Current number of loans under recovery process
13	8	All 8 recovered loans 100%	5 Loans 100%	5
			1 Loan 75% 1 Loan 70% 1 Loan 20%	





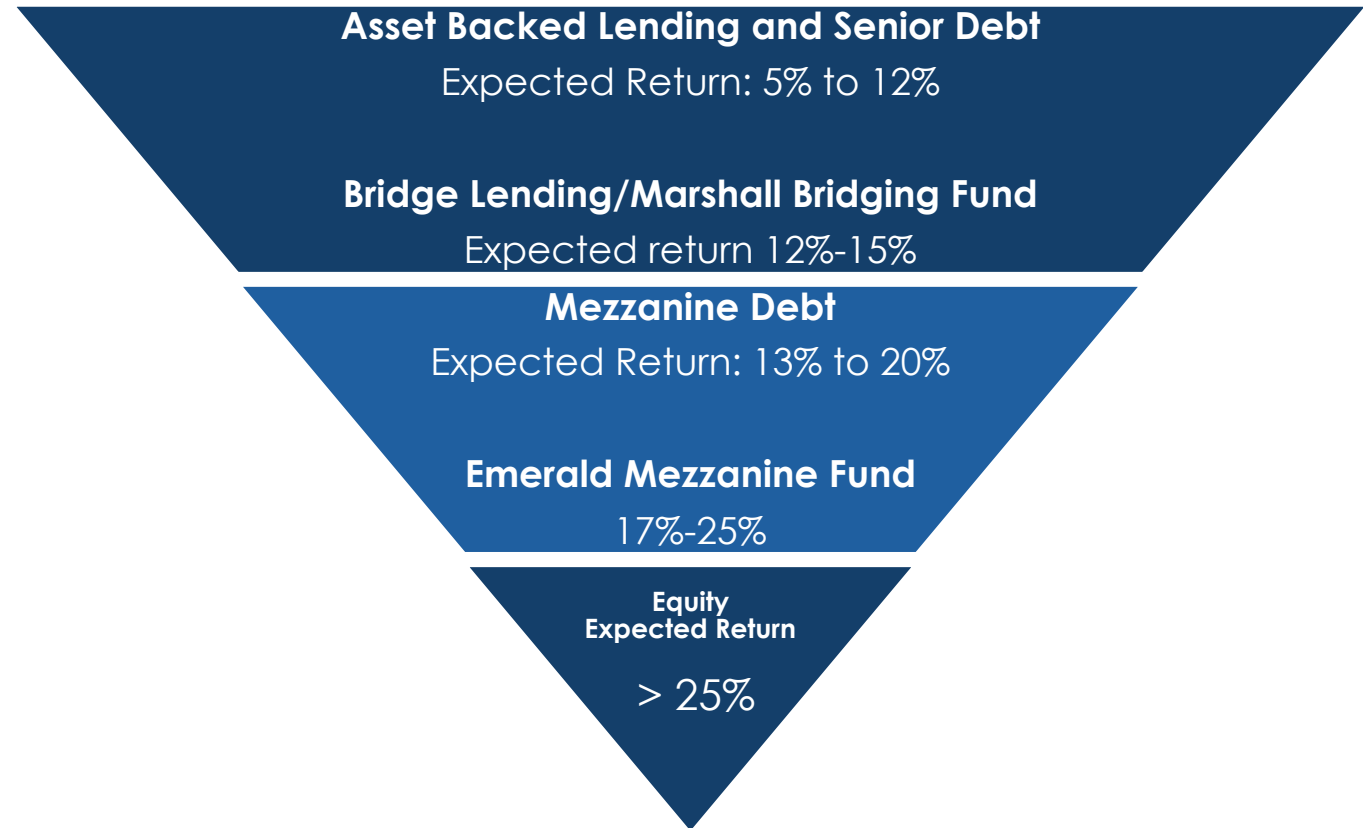
## WHAT IS REAL ESTATE MEZZANINE FINANCING

Mezzanine financing is a well known and used form of financing by professional developers.

- ✓ Mezzanine financing is a capital resource that sits between senior debt and equity having both debt and equity features.
- ✓ Companies use Mezzanine financing to achieve a goal that requires capital beyond what senior lenders will provide.
- ✓ Mezzanine financing is today more valuable than in pre-cov19 times, due to the lower LTV's available from Bank lenders, requiring higher equity from developers and higher proportion of mezzanine financing in their projects.
- ✓ Mezzanine financing is available for big projects and borrowers, but not as readily available to medium sized real estate projects and borrowers, being a niche we will focus on.
- ✓ Mezzanine borrowers prefer to accept financing from well know lenders, rather than new entrants. Emerald Mezzanine Fund ( EMF ), has a competitive advantage in front of other niche players due to our team's 6 year track record in bridge lending with a broad book of borrowers.



## DIFFERENT SOURCES OF CAPITAL USED FOR CREATING AN EFFICIENT CAPITAL STRUCTURE



Many sources of lending risk are available. EMF wants to get equity type of returns with senior lending position.







## FUND KEY FEATURES

EMF is a Luxembourg RAIF with the following characteristics:

- ⦿ Open ended, with monthly subscriptions and quarterly redemptions with 120 days notice.
- ⦿ Monthly NAV reporting.
- ⦿ 1,5% management fee plus 20% performance above 8%.
- ⦿ Euro based fund with USD and CHF availability.
- ⦿ Fund focussed on niche lending strategies, borrowers and markets. **No overall market approach, but a niche approach.**
- ⦿ **Short average duration** of loans, 18-21 months average of portfolio vs. 3-5 year loan maturity in standard mezzanine funds.
- ⦿ European country diversification.
- ⦿ **4% semianual dividend** availability.

EMF differentiates from other Mezzanine funds due to its focus on niche strategies, plus short term duration, what allows a degree of liquidity for our investors.



## THE STRATEGY

The strategy is to enter the market through niche strategies, which achieve high yield, together with a degree of capital protection and short duration, thanks to a mix of strategies:

- A. Key focus on **permit to build/permit improvement projects**.
- B. The fund will mainly provide **senior loans**.
- C. Additional focus on **project extension options of current projects**.
- D. Will reduce tail risk by focussing, when possible, on niche borrowers, whom under crisis, **behave better than traditional borrowers/developers, being favoured by banks**.
- E. Preference of collateral will be on **residential projects**.
- F. Permit acquiring lending market, is mainly currently served by local family offices, what is a good competing position for our fund, since borrowers prefer institutional lenders like the fund and not family offices.
- G. Permit acquiring is a market where no Banks or other institutional lenders populate, **what generates a lack of financing**, allowing a lender like us to charge more for the same type of risk than other lending strategies.

Low risk approach as a base, by providing a diversified pool of mezzanine projects, types of projects and countries.





## THE STRATEGY

We will look for **niche markets and borrowers**, some will be the following:

- 1) We will focus on borrowers with **high expected pre-sales ratios**: Banks increased requirements on pre-sales, specially under periods of distress, make it harder for borrowers to bring to market projects, since it is harder to receive construction loans or mortgage loans from banks if such pre-sales levels are not achieved.
- 2) We will favour **countries where the Banking sector is not too efficient** in providing financing to developers, especially in certain niches of the market where banks have not been active but capital is needed from developers.
- 3) Borrowers with a rich client base but limited cash will be preferred, since for such borrowers, our capital will be much more valuable during the initial phases of their project. Such borrowers will reduce our default risk, since their high probability of pre-sales, will favour them to receive Banks's construction loans, used to repay us.
- 4) In some European countries, the cost of land is becoming an issue for developers, being a big % of the projects costs. **We help developers become more competitive in the purchase of land from land owners.**
- 5) For the low risk projects, we will favor projects which are valued more on the yields they can generate rather than the capital appreciation they can generate, since they are more easily sold in a market downturn, reducing the liquidity/exit risk of the fund.

Our approach to Mezzanine financing will be based on the search at a country level, of niches where we can reduce risks while maintaining generous yields.







## THE STRATEGY

Additionally, the portfolio will expect to have the following features:

- Diversification by achieving between **35-60 projects** to be financed.
- Focus on loan sizes of **1-15 million**, since banks are not providing proper lending access to such size of borrowers, and is an underserved market, remaining as such.
- Borrowers will have a long experience in such local markets and niche projects. Many of such borrowers are well known to the Manager since they are already borrowers of the Marshall Bridging Fund, generating thus small credit risk.
- Borrowers will have a **clear repayment strategy**: Banks will have a preference on such borrowers and projects, increasing thus our repayment ratios compared to the overall market.
- Residential projects have the interest of banks and investors, providing a **secure exit** for our loans.
- The fund has local Partner Advisors in the countries it lends to, providing with strong alignment of interests, mainly, when possible, through co-investments.

The fund will diversify by type of loans, projects, country and type of borrower, reducing further the risk by enhanced diversification.



# STAGES OF LAND DEVELOPMENT IN GERMANY

The stages of land development are regulated by State laws as well as Federal laws.

In each country, also in Germany, the process through which agricultural land (non urban) moves to become available to sustain real estate (Urban Land), is managed through several laws and ordinances, and in general terms has 3 stages:

## 1) First Stage - Land Use Plan (FNP)

In this phase, agricultural land becomes Urbanizable. Such phase is managed by the local municipality with the intervention of the population, public and private entities, all providing their opinions on what the municipality requires of services and to manage proper growth. Such phase can take from 5 to 30 years and has high degree of uncertainty. It does not provide any rights to the land owners once granted.

## 2) Second Stage – Development Plan or B-Plan

In this phase, the B-Plan is a legally binding urban land-use plan which, as a rule, contains the legally binding provisions for the urban development order for certain sub-areas of the municipality. In contrast to the Land Use Plan, which is limited to the presentation of the basic features, the development plan is specific to the parcel, and contains the legally binding planning regulations for the individual plots of land. This Stage the municipality and the owners of the land are involved and generally takes between 2-5 years, having a lower degree of uncertainty.

## 3) Third stage - Construction permit seeking loans/Emerald Mezzanine Niche

When the B-Plan has already been granted, the last step for the owner of the plot of land to be able to start building, is to request the permit to Build which requires for the owner to present, for example, the specific residential project, describing the number of floors, apartments per floor, car parkings per apartment, green space, type of windows, electric wiring system, and all such details that are necessary in order to build a building. This stage the municipality and the owners of land are involved and takes between 6-21 months, and has a low degree of uncertainty.

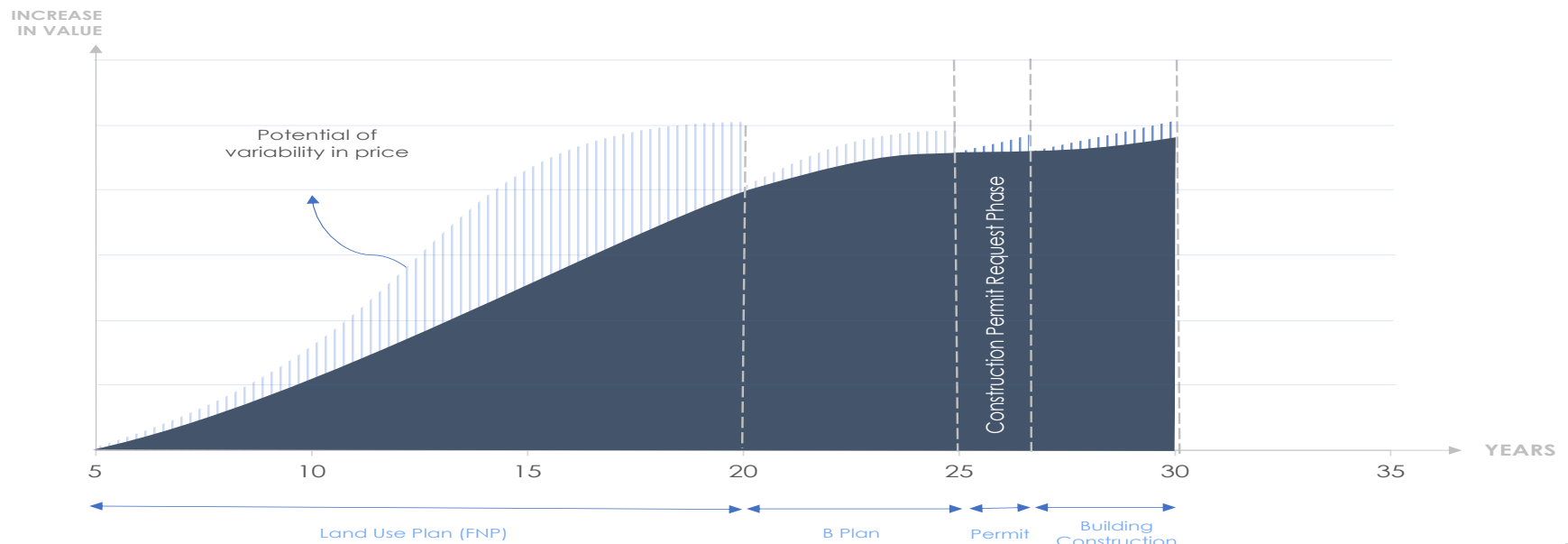




# STAGES OF LAND DEVELOPMENT IN GERMANY

See below the different stages and timing it can take to obtain the respective permits and the different lenders involved.

Stage	Time needed	Increase in value	Financing supply	Type of return charged by lenders
<b>Land Use Plan</b>	5-30 years Very High degree of uncertainty	1-50 times	Not used	N/A
<b>B-Plan</b>	2-5 years High degree of Uncertainty	25%-60%	Private equity investors/Lending Specialists Very small number of suppliers of loans	Equity risk exposure/Equity Yields: +20%
<b>Permit to build</b> <b>EMERALD MEZZANINE FUND NICHE</b>	6-21 months/ Lower uncertainty	10%-25%	Local family offices/Equity Investors Small number of suppliers of loans	<b>Senior risk exposure/Equity yield: 17%-+20%</b>
<b>Construction phase</b>	2-7 years. No permit risk but construction risk	15%-35%	Bridge lenders, Banks, Institutional lenders Many suppliers of loans	Senior/equity Yields between 4%-20%





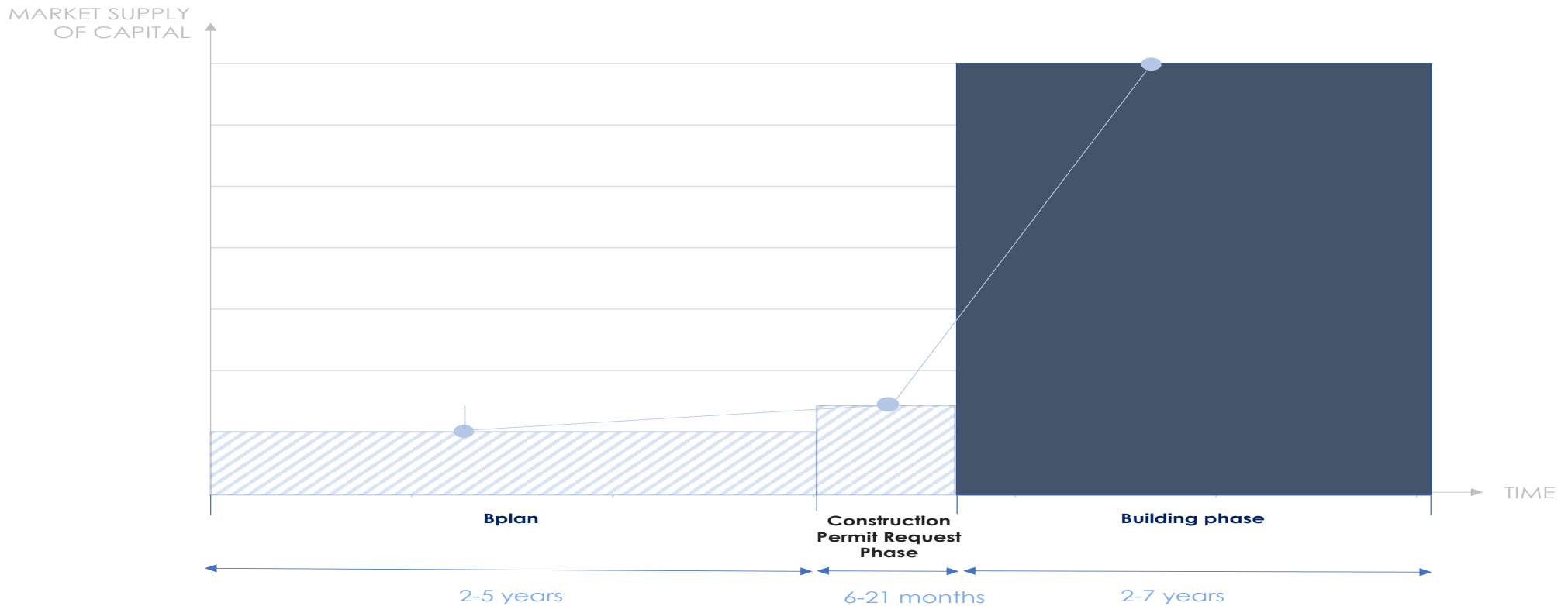
# STAGES OF LAND DEVELOPMENT IN GERMANY-SUPPLY OF FINANCING

As it can be seen in the chart below the supply of financing in the B-Plan Phase and the permit Phase is very reduced, generating high rates to be charged.

B-Plan financing is always done in equity form.

Construction permit financing is generally done in equity form but also Junior positions. Emerald Bridging Fund will be leader in providing Senior Loans.

During the construction phase, a broad array of lenders, in many different forms are available, but the existing broad array of lenders reduces the capacity to generate Alpha for investors due to big supply of capital.





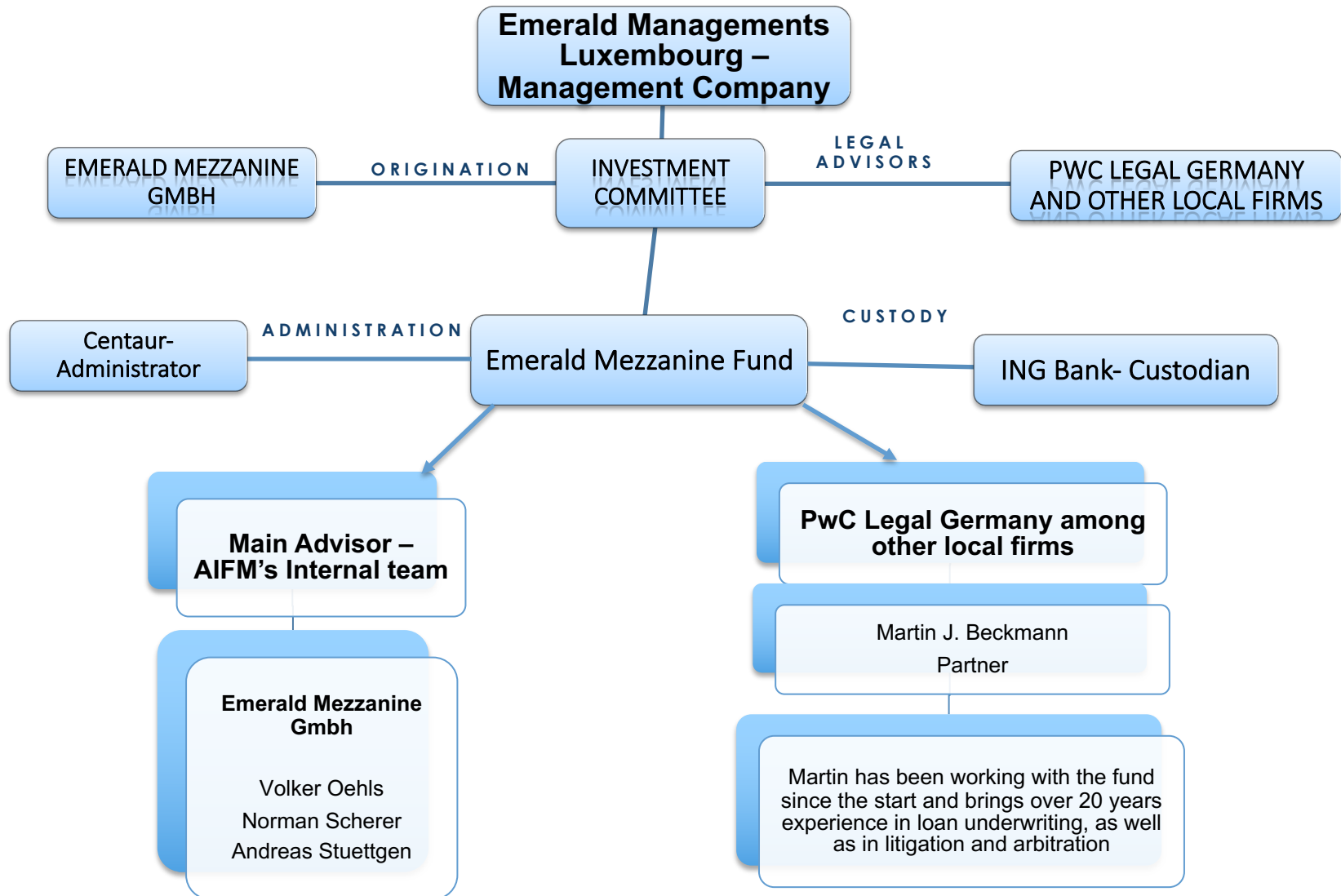
# COUNTERPARTIES

An overhead view of four business professionals (two men and two women) sitting around a white circular table in a meeting. They are dressed in business attire. On the table, there is a laptop, several documents, a coffee cup, and a pen. The background is a dark blue wall.

In Mezzanine financing, it is key that the counterparts know each other well, and have alignment of interests.



# ORGANIZATIONAL STRUCTURE







# EMERALD MANAGERMENTS LUXEMBOURG

The Management Company team, Emerald Managements Luxembourg, has been successfully managing for 7 years, a Germany focussed Bridge lending fund with a small exposure to UK as well.

The AIFM's internal real estate team in Germany, Emerald Mezzanine GmbH, together with other local country based partners in Spain and Luxembourg, gather deal flow as well as real estate expertise.

- ◉ The different local advisors have stable teams with deep local real estate expertise with partners with over 200 years of combined real estate expertise.
- ◉ Local advisors, also generally possess a deep knowledge of the banking industry, which further cements the low risk approach, since it allows the fund to:
  - ◉ Reduce the default risks by improving the chances to obtain bank loans used to repay our loans, thanks to the access to banks.
  - ◉ Deep knowledge of banks changing behaviour, allows us to reduce risk.
  - ◉ Deep knowledge of banks allows to forecast future changes of banks behaviour, allowing the fund to find niches where the Alpha we can obtain is higher.

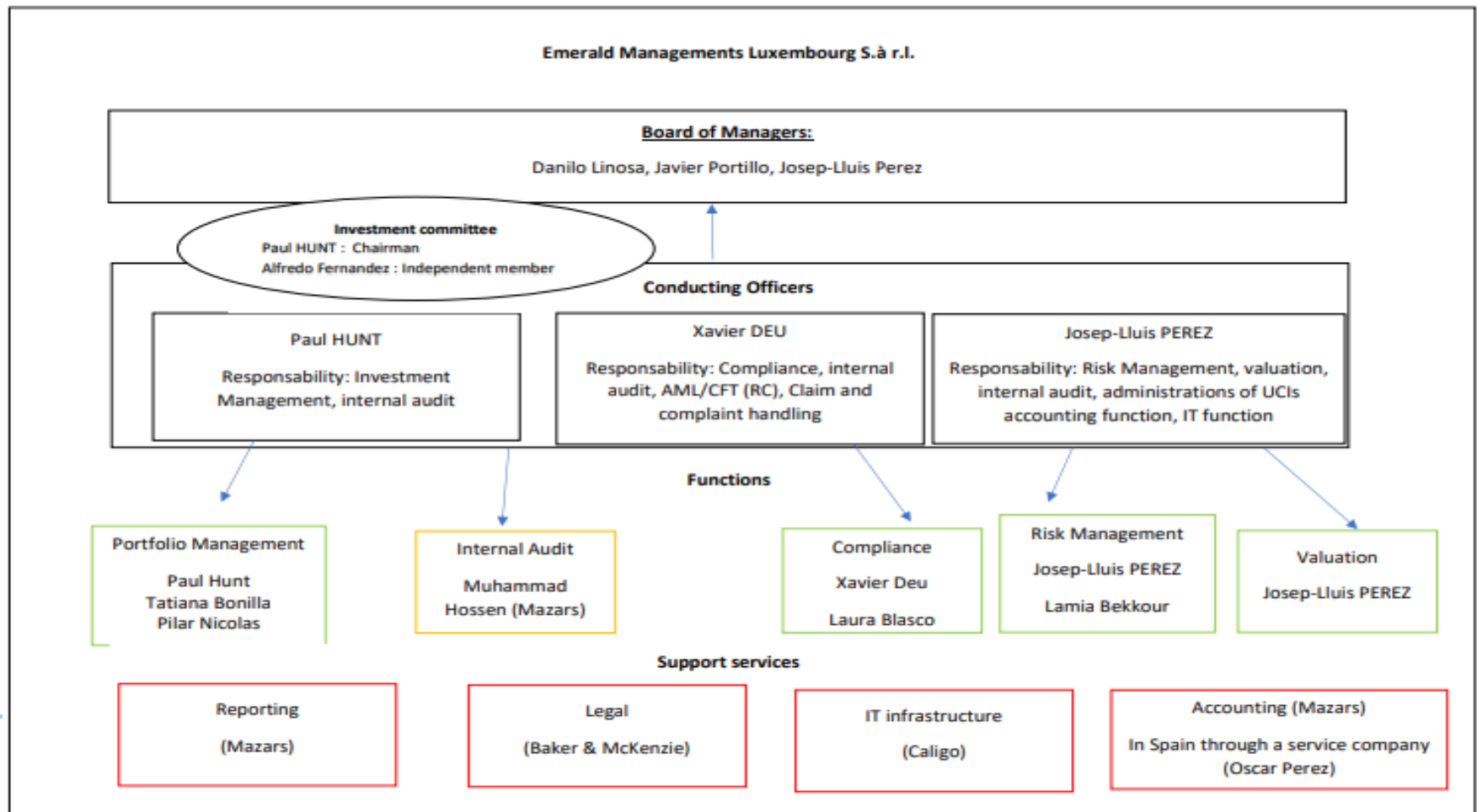
Deep and local real estate and banking expertise helps reduce risks.





# EMERALD MANAGERMENTS LUXEMBOURG

The Management Company team, Emerald Managements Luxembourg, has been successfully managing for 7 years, being the key members with their responsibilities the following:



Orange : Functions which are delegated

Green : Functions and operations exercised directly by the AIFM

Red : Operations partially delegated





## INVESTMENT COMMITTEE (IC)

The AIFM relies on an Investment Committee, which provides value to the fund, by approving such loans and executing the underwriting.

The IC reviews all the information available from all parties, i.e. Investment Advisors, Independent Valuers, Lawyers, Notaries among some, reassuring the fund, all the economic and legal information is fully in place in order to approve the loan.

PWC, Baker among others, bring a third layer of independent Due Diligence on the legal underwriting of loans.

The investment committee will ensure the borrowers credit history is satisfactory, execute DD on the loan, going through the underwriting with the assistance of several local legal advisory firms. Managing this process is Paul Hunt.

The IC is formed by several Individuals, but the AIFM can add per each loan, additional individuals on a case by case basis if needed additional expertise. Permanent member of the IC are:

Paul Hunt                      Head Underwriter

Alfredo Fernandez      Independent member of the IC





## INVESTMENT ADVISORS

The AIFM has developed several partnerships with local advisors in different countries, who will provide the fund with deal flow, plus valuable know how on the real estate asset we plan to finance.

**Emerald Managements Luxembourg, has as main objective with the development of deal flow the following variables:**

- ⦿ Develop **strong alignment of interest** with local Advisors.
- ⦿ Secure the services of several of such providers of deal flow.
- ⦿ Long track record in the Real Estate market.
- ⦿ When possible, also experience in Banking to provide for further understanding of the risks for the fund and improve our exit strategy.
- ⦿ Capacity to **identify niches in their local market** with High Alpha. Avoid lending which only provides Beta to investors.
- ⦿ **Obtain projects with short duration**, which can provide to the fund's investors a certain degree of liquidity.
- ⦿ They will have a focus and experience in one country.

Our added value is our deep and proven hands-on experience in the property markets and segments we target.



## TYPE OF DEVELOPERS/COUNTERPARTS

Each advisor's direct access to deal flow will maximize the extraction of value added for our investors by reaching niche players in their sector.

### DEVELOPER "I"

"I" was established over a decade ago, and has executed exclusively residential projects. His expertise is exclusively focussed in developing residential projects, and specialises in purchasing the plots of land with the permit to build, and he obtains the permit to start the construction from the local government in Spain.

The Manager is organized as a non profit organization, and his shareholders are the future buyers of the residential apartments.

### DEVELOPER "C"

Global developer/Asset Manager with operations in several countries. In Europe 2015 transaction volume was over \$1.5bn, and assets under management reached \$3.6bn, and globally was \$17bn of transactions from financings, equity acquisitions, equity disposals or real estate debt.

The Manager has in each country a local expertise, with a long term view of value creation.

### DEVELOPER "F"

Developer "F", has expertise in requesting to the local Municipality the construction permit to build residential building and maximize the project capacity. Once such permit has been achieved, the developer expects to finance the fund out, by requesting a Construction loan from his traditional Bank.

The Manager has executed several projects locally and knows the procedures.





## TYPICAL MEZZANINE CASES

Examples of mezzanine cases:

The fund will achieve high yield with some projects and others will become the base case for capital protection.

### Refurbishment – Developer “I” Spain

Developer purchased a plot of land in Spain, with the permit to build apartments, and has provided the project to the local government, in order to obtain the license to start building. The developer has as shareholders the future owners of the residential apartments: pre-sales will be forthcoming.

Time for our loan to be refinanced is 12-18 months.

Expected IRR 25%.

### Refurbishment and Extension - Developer “C” Germany

Commercial centre bought by Asset manager/developer to improve the premises and increase rents by getting higher branding leases to pay higher rents.

Development is on-going while some leases are still being collected. Property in a city with 250.000 residents.

Time to completion 2 years and expected IRR 21%.

### Refurbishment and Extension – Developer “F” Germany

The borrower purchased the land and developed private residences for the local market, expecting to be sold to the blue collar market. The property had potentiality to secure 20 apartments and could achieve up to 28, but settled for the lower band to secure the consent from the Municipality. Time for our loan 12 months.

Expected IRR of 22%.





# MANAGING RISK

## SPECIFIC PROCEDURES FOR MEZZANINE FINANCING

We know that even small details can endanger transactions and fund returns.

That is why risk identification of risks is at the very core of our investment and allocation process.

- ◉ The fund will try to have when feasible/advisable, a seat on the board, to have direct access in real time to the same information as the equity partners/developers.
- ◉ Legal agreements will have strong clauses, allowing the fund to take over the project if it's behind schedule or over projected costs.
- ◉ In several countries, lending will be structured to allow the fund to take over the SPV, and not have to wait for the court system to work it out.
- ◉ We will visit the properties regularly, to update the fund, making sure the project milestones are achieved on time, and without deviations from the projected costs.
- ◉ The Fund will try to diversify in several countries in Europe, mainly Germany, Spain, UK and Luxembourg in the initial stages.





# INVESTOR INFORMATION

<b>Fund</b>	Emerald Mezzanine Fund – Luxembourg RAIF	
<b>AIMFD Manager</b>	Emerald Managements Luxembourg	
<b>General Partner</b>	Emerald Managements RAIF GP s.a.r.l.	
<b>Independent Advisor</b>	Several, each one with a unique country focus	
<b>Administrator</b>	Centaur	
<b>Custodian</b>	ING Bank Luxembourg	
<b>Legal Advisor</b>	Baker & McKenzie	
<b>Auditor</b>	Deloitte Luxembourg	
<b>Currencies</b>	EUR base currency, USD and CHF available hedged Dividend Option: Share class H 8% annual dividend payable semi-annually	
<b>Regulator</b>	CSSF Luxembourg	
<b>Launch/Subscription terms</b>	October 31 <sup>st</sup> 2021 / Monthly	
<b>Redemption Terms</b>	Quarterly with 120 day notice 1 <sup>st</sup> year no redemption rights	
<b>Tax Advisors</b>	Baker&Mckenzie Lux PwC Legal UK PwC Legal Germany	
<b>Management Fees</b>	Share Class A,B, F and G,: 1.75% per annum. Share Class C, D, E and H: 1.50% per annum	
<b>Performance Fees</b>	Share Class A, B, F and G: 25% above 6.0% hurdle HWM Share Class C, D, E and H: 20% above 8.0% hurdle HWM	
<b>ISINS/Minimm Investment</b>	Class A EUR LU2399699094	125.000 euro
	Class B USD LU2399699177	125.000 euro
	Class C EUR LU2399699250	750.000 euro
	Class D USD LU2399699334	750.000 euro
	Class E CHF LU2399699417	750.000 euro
	Class F EUR LU2399699508	125.000 euro
	Class G USD LU2399699680	125.000 euro
	Class H USD LU2399699763	750.000 euro
<b>Periodicity of NAV</b>	Monthly	

EMF is a Luxembourg-RAIF, for "well-informed" investors. The managers are looking for investments to be made for a minimum of three years to a maximum of four, with an exit by way of sale of the interests in the mezzanine projects or the projects themselves. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 para. 3, 3bis and 3ter CISA. The Representative in Switzerland is ACOLIN Fund Services AG, Affolterndrass 56, CH-8050 Zurich, whilst the Paying Agent is Neue Helvetische Bank AG, Seefeldstrasse 215, CH-8008 Zurich. The basic documents of the Fund as well as the annual report may be obtained free of charge at the registered office of the Swiss Representative."





## CONTACT INFORMATION

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