Aksia

New York • London • Tokyo

April 8, 2020

Dear GP/Manager:

These are obviously difficult times and we hope that you, your loved ones, and your colleagues are doing as well as can be under the circumstances.

You are receiving this letter because you are a U.S.-based alternatives investment manager with whom Aksia's clients (including legacy TorreyCove clients) have made investments.

During this crisis, we all know that it is important that both individuals and businesses make appropriate choices, choices that contribute to reducing society's suffering. For US alternative asset managers, one of those choices is whether or not to take advantage of the widely publicized U.S. federal government's Paycheck Protection Program ("PPP"). The program offers forgivable federal government 2-year loans for companies with less than 500 employees at a 1% interest rate.

Under the program, if the borrower does not reduce headcount or wages beyond a prescribed amount, up to 2 months' wages for all employees as well as rent payments and certain other expenses can be deducted from the loan repayment amount.

By our back of the envelope calculation, a mid-sized alternatives manager with, for example, 100 employees and typical rent & benefits costs could qualify for about $2,000,000 of loan forgiveness. That is a 2 million dollar handout from the U.S. government to the manager.

PPP is a strong bipartisan initiative designed to reduce hardships impacting workers at businesses whose revenues have been crushed by COVID-19. The program's information sheet specifically states, in part: "As part of your application, you need to certify in good faith that… current economic uncertainty makes the loan necessary to support your ongoing operations."

Aksia feels strongly that the PPP's loan forgiveness <u>should not</u> be going to alternative asset managers whose management fees are not significantly impacted by the COVID-19 crisis.

We acknowledge that some alternative asset managers will genuinely need the PPP loan forgiveness for the reasons and purposes stated in the program. Every manager's circumstances is different.

But if, for example, a manager with locked up capital and management fee amounts exceeding the costs of paying salaries and running costs is opportunistically taking advantage of the PPP and its loan forgiveness, Aksia will be looking for that in our due diligence process and viewing that negatively.

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For the avoidance of doubt, nothing in this letter applies to companies in which alternative funds have investments. Whether they are private "portfolio companies" controlled by the manager or public companies with less than 500 headcount over which the manager has some influence, taking advantage of PPP will often be the correct decision to minimize hardships on workers, and we fully understand that.

This letter concerns you, the alternatives industry's asset managers. A manager with a healthy business taking advantage of the program just because it is available and PPP's necessity conditions are not precisely defined, is not only showing poor moral judgment and potentially hurting the reputation of the alternatives industry, but is also probably crowding out struggling workers and businesses severely impacted by COVID-19.

If you agree, we hope you will raise this issue with your peer investment managers and discuss what would be acceptable to their investor base and their ultimate beneficiaries.

Kind regards

Jim Vos & the Partners of Aksia

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