PRUDENT INVESTMENT FUND
Diversified Corporate Lending
INVESTMENT OPPORTUNITY

• The Prudent Investment Fund (PIF) allows international investors the opportunity to invest into a short term corporate lending business wrapped into a regulated, Luxembourg based, SICAV SIF.

• The Prudent Group has extensive experience in trade finance for small and medium sized companies in the Brazilian market.

• Prudent Brazil, acting as the Investment Advisor to the PIF, has a team of seasoned financial professionals in São Paulo and Porto Alegre sourcing Borrowers, performing credit analysis, running the loan operation, conducting active risk mitigation and carrying out collections.

• Presently, Prudent has a portfolio of more than 300 small and medium sized Borrowers with a total over 10 000 End Buyers, thus offering huge diversification in terms of sectors and industries.

• The Board of Directors of the PIF are ultimately responsible for the allocation of credit to the Borrowers adding an extra layer of risk control to each transaction.
# THE INVESTMENT DETAILS

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<tr>
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<th>RETAIL SHARE CLASSES</th>
<th>INSTITUTIONAL SHARE CLASSES</th>
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<tbody>
<tr>
<td>Minimum Investment</td>
<td>10 000</td>
<td>250 000</td>
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<tr>
<td>Currency</td>
<td>EUR or USD</td>
<td>EUR or USD</td>
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<tr>
<td>Return Target (Quarterly Dividend)</td>
<td>10.0%</td>
<td>14.0%</td>
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<tr>
<td>Return Target (Capitalization)</td>
<td>10.5%</td>
<td>14.5%</td>
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<tr>
<td>Liquidity</td>
<td>Weekly</td>
<td>Weekly</td>
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<tr>
<td>Early Redemption Fee</td>
<td>5.0% in the first 6 months</td>
<td>5.0% in the first 15 months</td>
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<tr>
<td>Fixed Management Fee</td>
<td>0.40% per annum</td>
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<tr>
<td>Performance Fee</td>
<td>10.0% of Gross Return if Investors receive the stated Return Targets (high water marks applied)</td>
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PRODUCT SUMMARY
• **Custodian:** ABN Amro Luxembourg
• **Auditor:** PricewaterhouseCoopers
• **Administrator:** APEX Fund Services
• **Legal Counsel:** Lextrust Law Firm
• **External Risk Management:** Fuchs Asset Management
• **Regulator:** CSSF
• Operating Bank: Itaú Bank
• Auditor: KPMG, BDO
• Custodian: Paulista Bank
• Independent Risk Manager: Tercon
• Administrator: SOCOPA
• Regulator: CVM
The benefits of short term corporate credit

- The short term corporate credit market is a swift specialized source of finance.
- Borrowers utilize short term corporate credit to enhance flexibility as transactions are not considered bank debt.
- Borrowers are willing to pay slightly higher rates to credit companies in order to free up access to bank credit lines for other purposes.
- Suppliers to major companies are highly dependent on supply contracts to these companies, limiting the ability to obtain regular bank credit.
- The final cost to Borrowers is close to bank credit rates and favourable due to tax incentives available.
• The Fund signs an agreement with a Borrower after due credit review.

• The Borrower sells its product or service to its Buyer which invariably is much larger than the Borrower.

• The Buyer makes the payment for the product or service to the Fund.

• The investments of the Fund consist of an extremely well diversified basket of short term corporate loans.

• The fund is micro-managed like an operational company with strong focus on risk control. Each transaction is secured by two balance sheets.
INVESTMENT PROCESS
INVESTMENT PROCESS

- The Prudent Sales Team of more than 20 professionals search the market for Borrowers.
- The Credit Department analyses and verifies the documentation presented by the Borrower and cross checks information with banks, suppliers, financial institutions and credit bureaus (e.g. Serasa Experian).
- The Credit Committee makes a suggestion of a Credit Limit for the Borrower to the Board of Directors of the Fund.
- Once the Credit Limit is approved by the Board of the Prudent Investment Fund, transactions commence in small advances followed by gradually larger receivable tranches.
- The local Prudent team performs rigorous on-going monitoring and checking of the underlying commercial transaction insuring timely repayment.
- If need be, the seasoned Collection team will secure performance upon late payment.
DUE DILIGENCE

- Review of Corporate Documentation.
- Key Person reference check with bank and commercial counter parties.
- Scrutiny of three years' worth of financial information updated to one month prior to application.
- Scrutiny of tax returns for the Borrowing Company and its Key Persons for the last three years.
- Checking of bank and credit reports.
- Control of debt with other short term lenders.
- At least two personal visits of the Prudent Credit Team in order to on-site check the assets, head offices and managers of the potential new Borrower.
• The local Credit Committee is composed of four local Directors: the Head of the Credit Department, the Head of Transaction Monitoring and the Head of Sales and either the local CFO or CEO. The credit meetings occur at least once per week.

• The Sales Manager responsible for the new potential Borrower will present each case. The Credit Committee subsequently reviews and evaluates the investment opportunity without the presence of said Sales Manager.

• The Credit Committee submits a Credit Limit Proposal to the Board of the Prudent Investment Fund with comments and conclusions about the Borrower.

• The Board of the Fund decides the size of the Credit Limit and an implementation plan for the execution of the loan based on the information provided by the local team.
In order to mitigate risk, transactions are carried out in tranches of a maximum of 15% of the Credit Limit established for the Borrower, ensuring that the full credit limit is utilized only after successful performance of several transactions.

The credit area monitors the Borrowers and End Buyers in order to insure that the credit profile does not change materially as the transactions are carried out.

A dedicated team of about 15 people check the commercial transactions behind the receivable, a process that also includes direct communication with the End Buyer.

Updated Independent Credit Bureau Report (e.g. Serasa Experian) are received every 30 days.

The maximum concentration of any Borrower in the portfolio is 5%.

The maximum exposure of any single Buyer in any Borrower’s portfolio is 30%.
Three days after the due date, a payment is considered to be in default. The collection bank then automatically transfers the payment request to the local court. The options for Prudent are:

1. Friendly direct reminder to the Buyer of its payment obligation.

2. Request the Borrower to pay on behalf of its Buyer.

3. Report the Borrower and its Buyer to the Credit Agencies.

4. Seek legal action against the Borrower (who has given Prudent written permission not to contest the seizure of collateral and/or personal assets).

5. Seek legal action against the Buyer of the goods (larger company than the Borrower).

6. Raise the interest rate on the next transaction.
BORROWER AGREEMENTS

When a new client is taken on-board the following documents are required before release of the first loan tranche:

a) Loan Agreement
b) Promissory Note (Signed by the Borrower with the owner’s personal guarantees)
c) Authorization for claims of unpaid debts (which allows the Prudent Investment Fund to collect directly from debtors)
d) Acknowledgment of Master Loan Agreement (giving both the Prudent Investment Fund and the local entity signed confirmation of the Borrower’s debt obligations)
LUXEMBOURG FUND BOARD MEMBERS

**Dennis Klemming - Chairman of the Board** – Mr. Klemming has primarily focused on supporting leading global institutions such as pension, mutual and hedge funds with advice on the financial markets for 25 years. At Selector, an off-shore fund distribution company he founded in 2001, now part of the Waddell & Reed Mutual Funds Group, his role included developing the product offering as well as establishing distribution channels. Earlier in his career between 1989-2000, Mr. Klemming held positions in financial journalism, equity research, corporate finance and equity sales in Stockholm, London and New York with Carnegie and Alfred Berg (bought by ABN AMRO Bank 1995). Mr. Klemming holds double Master Degrees in Law (the University of Stockholm) and Business Administration (the Stockholm School of Economics).

**Alfred Neimke - Board Member** – Mr. Neimke provides vast experience of currency, equity and bond investments gained during 27 years as an emerging markets portfolio manager as well as holding senior executive roles in German and Austrian Financial Services Companies. Mr. Neimke is a former Head of the Investment Operation and Director of Sparkassen Versicherung, the Insurance arm of Erstebank, Vienna. Prior to this he held senior investment management positions at Unïqa Insurance, Credit Anstalt AG in Austria, Oppenheim KAG in Germany as well as the Erstebank Group. Mr. Neimke holds a “Diplomkaufmann” Degree from the University of Mannheim.

**Jonathan Burger - Board Member** – Mr. Burger is responsible for the legal aspects of the operation of the Fund. He is a Partner at Lextruct Law Firm in Luxembourg. Mr. Burger has previously in his career held positions at Clifford Chance, Price Waterhouse and Lexfield working on the structuring and taxation perspectives of Luxembourg Funds. Mr. Burger is "maître en droit" from the Université Panthéon-Assas Paris II, holds a “D.E.A.” (“Diplôme d'Etudes Approfondies”) in Tax Law from the Université Panthéon-Assas Paris II and holds a “Doctorat en droit privé” from the Université Nancy.

**Giovanni Cataldi - Board Member and Chief Executive Officer in Brazil** - Mr. Cataldi has worked with the structuring of credit solutions to Brazilian small, medium and large Financial Institutions as well as the structuring of Funds since 1994. Previously in his career Mr. Cataldi has worked at Bank Unibanco, Sudameris (INTESA Group) and BANIF (International Bank of Funchal). He held a position as Financial Director at Sul Financeira S/A C.F.I. from 2005 to 2009. He is, furthermore, a Director of the Brazilian Finance Executives Institute of Rio Grande do Sul, IBEF/RS, as well as President of the Financial Institutions Owner’s Union of Rio Grande do Sul, SINDFIN. He received the “Finance Executive of the Year Award” in 2010 by the National Financial Market Institutions Association, ANDIMA, in Rio Grande do Sul. Mr. Cataldi is a certified Investment Agent by the National Association of Securities, Currency and Commodities Brokerage Firms, ANCOR.
LOCAL MANAGEMENT IN BRAZIL

David L. Kallus – Chief Investment Officer – Mr. Kallus has 27 years of investment experience. He worked as a portfolio manager for the sovereign wealth fund of Kuwait (WAFRA Investment Advisory Group) for 10 years. Furthermore, he created and sold a macro hedge fund named Trinity. Mr Kallus has been in the global fund management arena where he has served as Chief Investment Officer and senior portfolio manager throughout his career. He has run global macro funds, global balanced funds, global emerging market funds, and two emerging market debt Collateralized Bond Obligation funds. Mr. Kallus has experience structuring complex fund vehicles and managing emerging market debt collateral in an insured and rated context. He holds an MBA from the University of Chicago and a Master in International Affairs and undergraduate degree in History from the University of Columbia.

Mario DelBianco – Chief Credit Officer - Mr. DelBianco has over 35 years' worth of experience in credit analysis. He started his career at Banco Itaú and subsequently worked at Banco Safra, Citibank and Banco Sofisa. Before joining Prudent he was Head of Credit at ZFAC FIDC. He has comprehensive knowledge of credit analysis and the factoring industry. Mr. DelBianco has an undergraduate degree from Faculdades Metropolitanas Unidas of Brazil as well as graduate degrees from FMU and FAAP also in Brazil.

Evandro Luis dos Santos – Controller – Mr. dos Santos has 20 years of experience in Treasury, Custody and Client Services. He has worked as Supervisor in the trade, cash settlement, securities services, documentation and risk areas. Mr. dos Santos has worked for Deutsche Bank, JP Morgan and Banco Bradesco before assuming his position within Prudent. Mr. dos Santos holds Economics and Technology in Banking Management degrees.

João Batista Poiani – Collections Manager - Mr. Poiani has almost 40 years of experience in the factoring world starting his career as a credit analyst. He has served as Manager of Operations in several Brazilian banks including Banco Daycoval, Banco Operador and Banco Sofisa. From 2000 until today he has worked in the administrative functions of factoring companies and FIDCs.
Edivaldo Lacerda de Albuquerque – Managing Director, Head of the Credit Process at Prudent Brazil – Mr. de Albuquerque has 20 years of banking experience gained at Rural Bank and Daycoval Bank where he was in charge of the daily reviews, risk control, continuous analysis and the monitoring of the day-to-day operations of the Credit Business. In 2005 Mr. Lacerda started working for Grupo Sifra SA where he lead the Credit and Risk areas for Short Term Corporate Lending related services up until 2011 when he joined Prudent.

Edson Luis Paulino - Managing Director, Head of the Sales Department at Prudent Brazil - Mr. Paulino started his 30 years long career at Banco Bradesco S/A where he worked between 1981-2002, mostly in the sales area, working his way up through the ranks from Assistant to Senior Manager. In 2008 Mr Paulino joined Grupo Sifra SA as an Executive Sales Manager of small, medium and large companies, building the largest portfolio of the group within five years. In 2012 he was recruited to Daycoval Bank as a Commercial Senior Vice President developing new markets servicing medium and large companies. Mr. Paulino finished his Undergraduate Business Administration Degree at Faculdade São Camilo in São Paulo and his MBA at USP in São Paulo.

Normando Alves – Manager of On-boarding – Mr. Alves has 25 years of experience in the credit market having worked in several financial institutions in Brazil including Banco Itaú, ASBACE, Grupo Sifra and Banco Sofisa. Mr. Alves spent the majority of his career, 18 years, at Sofisa. Mr. Alves holds a Bachelor's Degree in Business Administration from Universidade Paulista – UNIP.
AWARDS AND NOMINATIONS

Investor Review:

❖ *Hedge Fund of the Year Award 2017*

Acquisition International:

❖ *Most Innovative Hedge Fund Manager USA/Europe 2016,*
❖ *Leading Hedge Fund Manager, Luxembourg 2017*

Corporate America:

❖ *“Hedge Elite”: 2016’s Most Innovative Hedge Fund Manager: USA/Europe*

Wealth & Finance:

❖ *Best in Funds, USA, 2016*
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Please be advised that trading in securities involves the possibilities of both positive returns as well as significant exposures to risks. Should you decide to invest in the SIF, the value of any shares or units you purchase can go up or down and you may not get back all you have invested. Changes in currency rates of exchange may have an adverse effect on your investment or any resulting income. You may also be exposed to additional more specific risk in relation to the SIF Fund in which you invest and you should review the risk factors specified in the prospectus extremely carefully.

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