



Illustrative annual report for reserved alternative investment funds (RAIFs)

**Under Luxembourg Generally Accepted
Accounting Principles**

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Illustrative Annual Report

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I Foreword

Anticipating the significant growth and ever-increasing importance of alternative investments as an asset class — the most recent data shows that Luxembourg saw a 17% increase in private equity fund assets under management and a 25% increase in loan funds between 2018 and 2019 — Luxembourg took the opportunity to add a number of supervised-only investment vehicles to its already widely successful range of regulated investment vehicles. The reserved alternative investment fund (RAIF) regime, in particular, has reinforced the country's attractiveness as a domicile for the establishment of alternative investment funds (AIFs) in general.

While only introduced in 2016, the RAIF has already attracted a great deal of interest from fund managers and has become the vehicle of choice for certain AIFMs and categories of sophisticated investors, not only in the European Union (EU), but globally.

RAIFs can be set up with different structures, and with the possibility of segregated compartments within each RAIF, thus demonstrating Luxembourg's agility in designing a relevant and flexible toolbox to meet the needs of both investment managers and investors.

The RAIF Law also allows for RAIFs to be set up either with the aim of risk-spreading ("risk-spreading RAIF") or with the exclusive objective of making risk capital investments ("risk capital RAIF").

This publication aims to support the investment management community in navigating through the various reporting requirements for the preparation of annual reports for RAIFs. Its purpose is to assist you in preparing these reports under Luxembourg generally accepted accounting principles (GAAP), based on the Luxembourg legal and regulatory requirements in force as at 31 March 2020.

We have prepared this illustrative annual report as a guide for private equity funds, investment managers and service providers — providing pragmatic suggestions based on observations from the RAIF landscape. We have also included several references to laws and regulations to make this a practical tool. These legal references, and the application of the articles referred to, are further discussed in accompanying explanatory notes — while general discussions on presentation, and disclosures without specific references to laws, are presented in guidance notes.

Financial reporting is not just about technical compliance, but also effective communication. Investors continue to ask for a step-up in the quality of business reporting, so preparers should be careful not to become buried in compliance to the exclusion of relevance. In preparing their annual report, entities need to focus on improving their communication by reporting financial information in a meaningful way.

While Luxembourg GAAP provides for some flexibility, it is essential to get the balance right between compliance and transparency.

Recently, EU regulators and Luxembourg's financial regulator, the CSSF, have introduced additional reporting requirements and, with increasing demands for transparency from both regulators and investors, financial reporting has become a differentiator of quality, especially in light of the welcome trends to include environmental, social and governance (ESG) factors in investment management process reporting.

During the preparation of this brochure, we have witnessed the outbreak of Coronavirus Covid-19 globally for which stakeholders and regulators would expect some information in the annual report. We have included a guidance on valuation of investments and some suggested wording on Coronavirus Covid-19 in the activity report and subsequent events note.

We hope that this publication will be of benefit to you.



Mickael Tabart

Partner, Private Equity Audit Leader



Vishaline Seeparsad

Associate Partner, Private Equity

Glossary

AIFMD	Alternative Investment Fund Managers Directive
ALFI	The Association of the Luxembourg Fund Industry
Annual accounts	For “risk-spreading RAIFs”: the statement of net assets, statement of operations and changes in net assets, statement of changes in number of shares, statement of investments and the accompanying notes For “risk capital RAIFs”: the balance sheet, the profit and loss account and the accompanying notes
Annual report	The annual publication comprising the annual accounts, the activity report and other information disclosed therein
CNC	Commission de Normes Comptables — Luxembourg’s Accounting Standards Committee
Company Law	The Law of 10 August 1915 on commercial companies, as consolidated by the Regulation of 5 December 2017
CSSF	Commission de Surveillance du Secteur Financier — Luxembourg’s financial regulator
Luxembourg GAAP	Luxembourg generally accepted accounting principles. The legal and regulatory requirements as laid out in Title II of the Law of 19 December 2002 on the register of Commerce and Companies as well as the accounting and annual accounts of companies, as amended by the Law of 10 December 2010, including the provisions of the Law of 23 July 2016 (“the RAIF Law”)
RAIF	Reserved alternative investment fund
RAIF Law	The Law of 23 July 2016 on reserved alternative investment funds
RCS	Registre de Commerce et des Sociétés du Grand-Duché de Luxembourg — Luxembourg’s Trade and Companies Register
SICAF	Société d’investissement à capital fixe
SICAR	Société d’investissement en capital à risque
SICAV	Société d’investissement à capital variable
SIF	Specialised investment fund

I Context

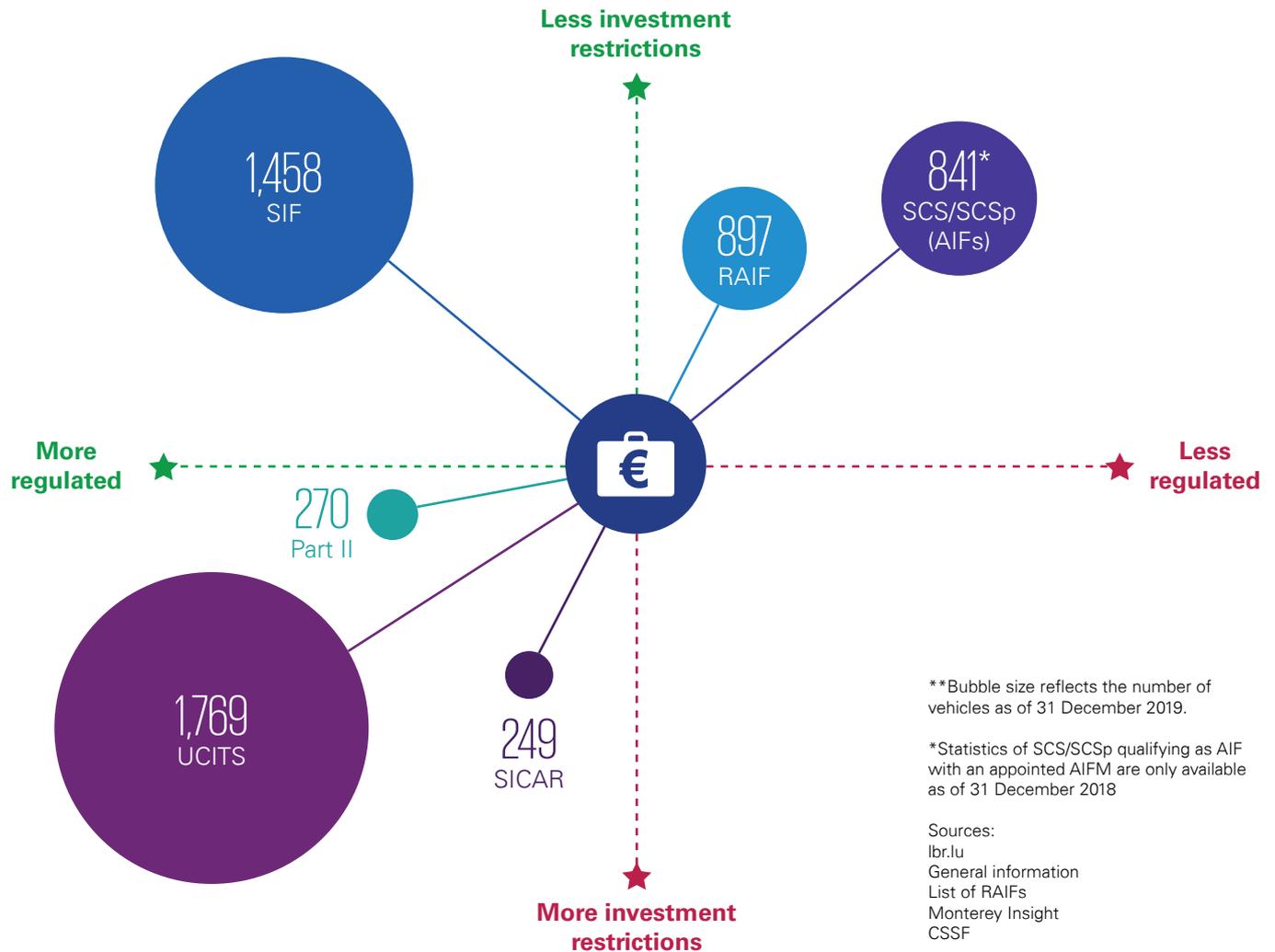
The Luxembourg fund industry today

Luxembourg has continued to develop its strong reputation as a center of excellence for a large variety of investment funds. The legal and regulatory framework is constantly being improved to offer the best tools for investment managers to structure their investments and to protect investors' interests.

ALFI 2020 Ambition

"To enable asset managers and investment funds to fulfil their role of serving investors and fostering economic growth, ALFI will continue to enhance Luxembourg's position as the international fund centre of reference, recognised as open, reliable and innovative by investors, policymakers and industry alike."

Luxembourg's investment funds universe



Alternative investment funds and managers

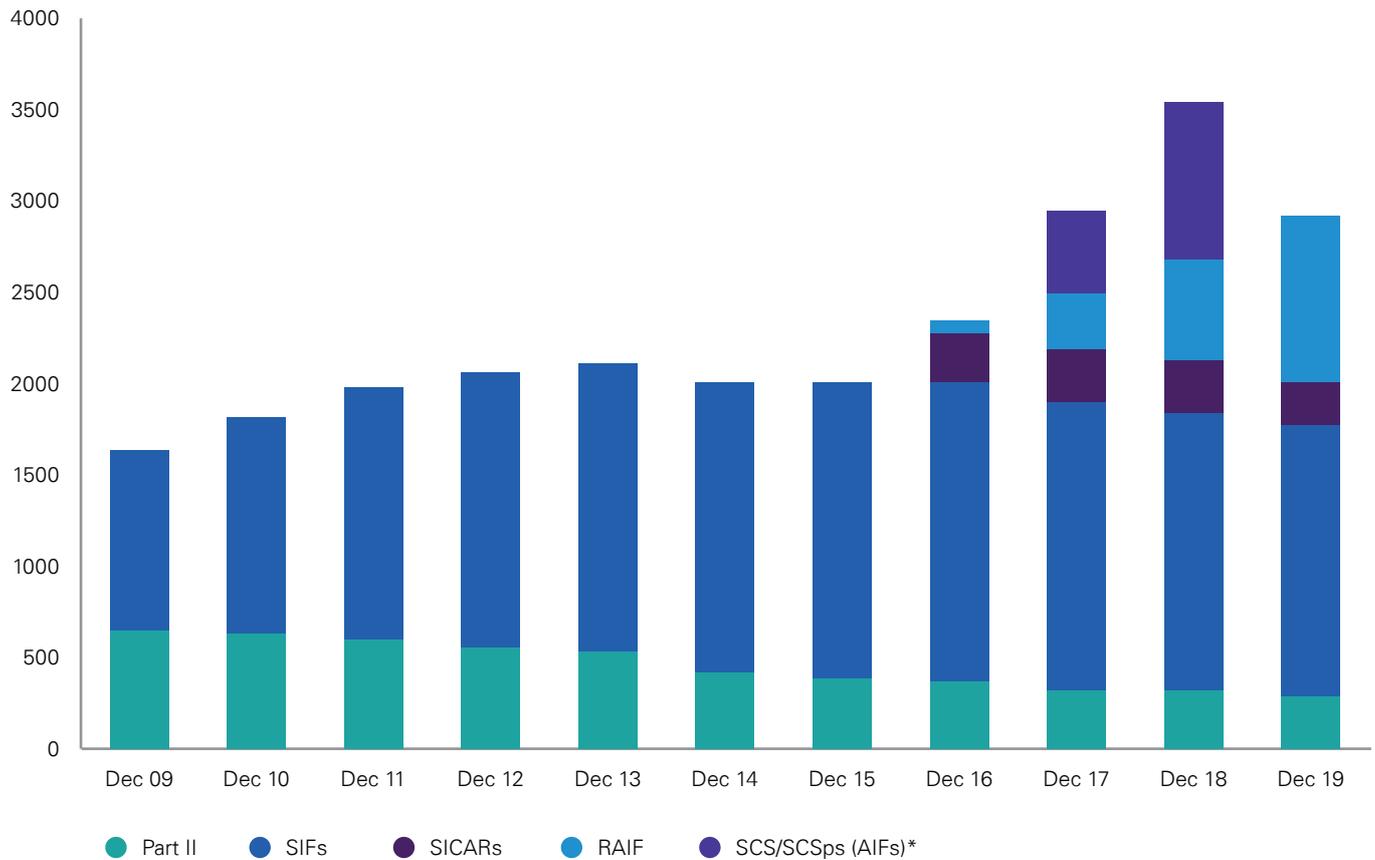
By being among the first countries to transpose the Alternative Investment Fund Managers Directive (AIFMD) into local law, Luxembourg consolidated its leading position for structuring alternative investment funds. Many of the large UCITS managers also hold an alternative investment fund manager (AIFM) license, building on existing expertise and operations to manage both AIFs and UCITS funds.

The Luxembourg government has continued its strong commitment to the funds industry, making an important upgrade to the range of fund structures with the creation

of the RAIF. This vehicle meets the demands of many AIFMs and professional investors who had been calling for the removal of the dual regulatory approach whereby both manager and fund are subject to regulation and supervision.

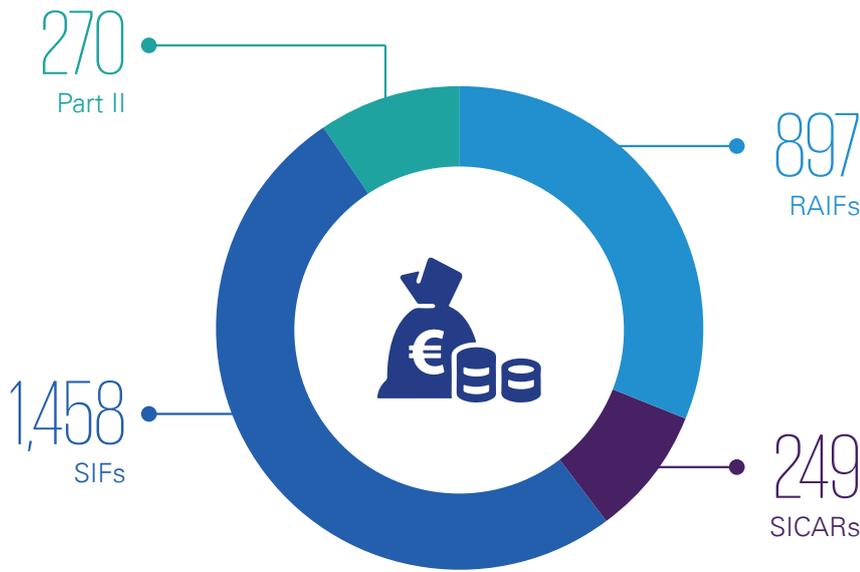
The RAIF is similar to the popular SIF and SICAR structures, but differs in its removal of this double layer of regulation. As a result, its overall time to market is very short. Only authorized AIFMs are permitted to manage RAIFs. Such has been their success that there were already 897 RAIFs on the market as at December 2019.

Number of AIFs between December 2009 and December 2019



*Statistics for SCSs/SCSps qualifying as AIFs with an appointed AIFM are only available as at 31 December 2017 and 31 December 2018 (Source: Monterey Insight)

Number of directly or indirectly supervised AIFs as at December 2019



The CSSF continues to play an important role in providing guidance on the legal framework governing alternative investment funds and their managers, and regularly updates its AIFMD Frequently Asked Questions (FAQ). This FAQ covers scope, the content of the application file, loan origination and loan participation by AIFMs, the rules on delegation of regulated activities, the role of the depositary, marketing rules, reporting and transparency requirements, valuation, and prudential capital rules.

Source: CSSF

Number of RAIFs from July 2016 (inception of the RAIF Law) to December 2019



Sources: Luxembourg Business Registers (lbr.lu); general information; list of RAIFs

I RAIFs: overview



What is a RAIF?

Introduced in Luxembourg in 2016, the RAIF is a flexible and unregulated alternative investment vehicle available to well-informed investors.

The Law of 23 July 2016 (RAIF Law) distinguishes between two types of RAIF: risk-spreading RAIFs and risk capital RAIFs as per Article 48(1) of the RAIF Law.

Why choose the RAIF?

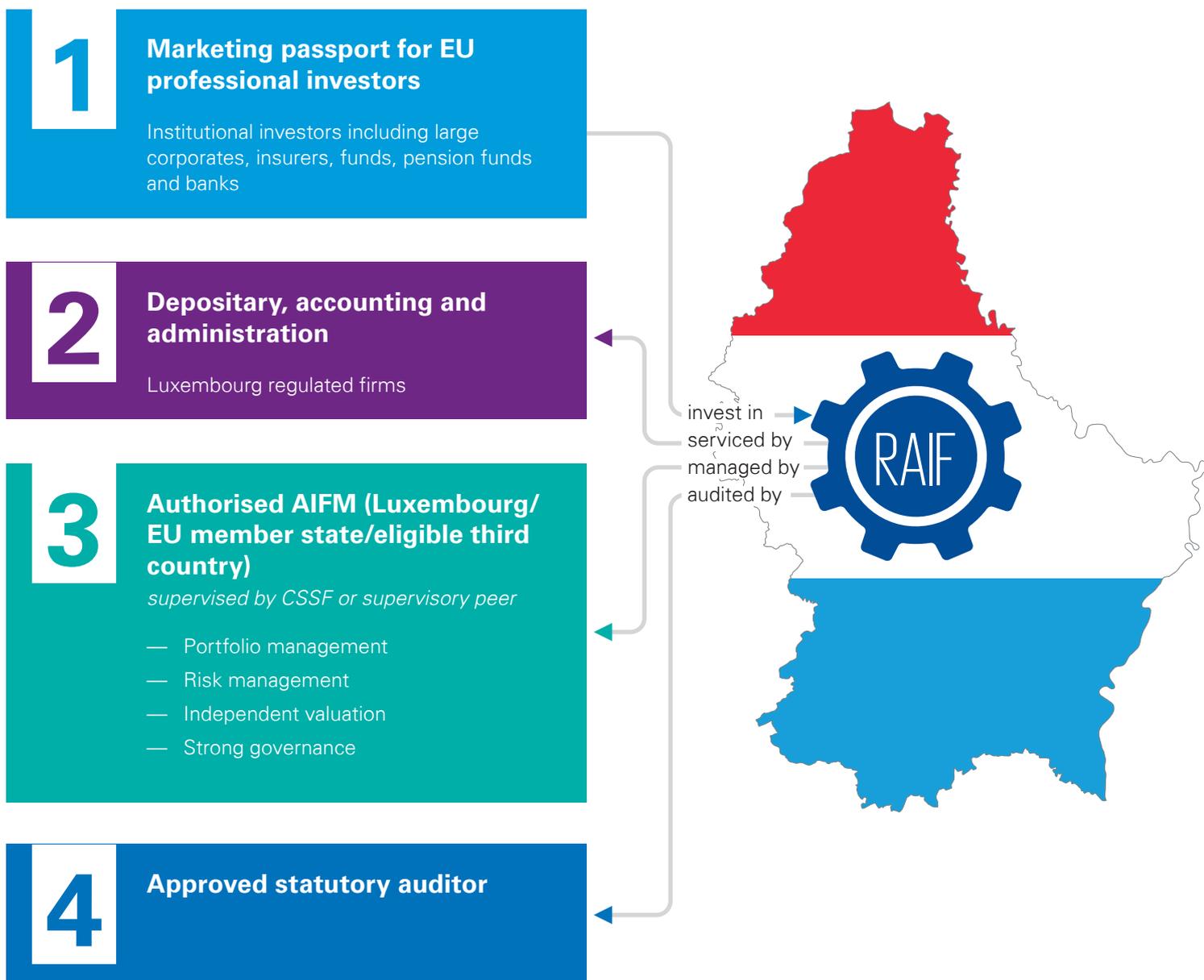
The RAIF has strong market appeal to investors looking for a fund ...



Who are the stakeholders?

Target investors

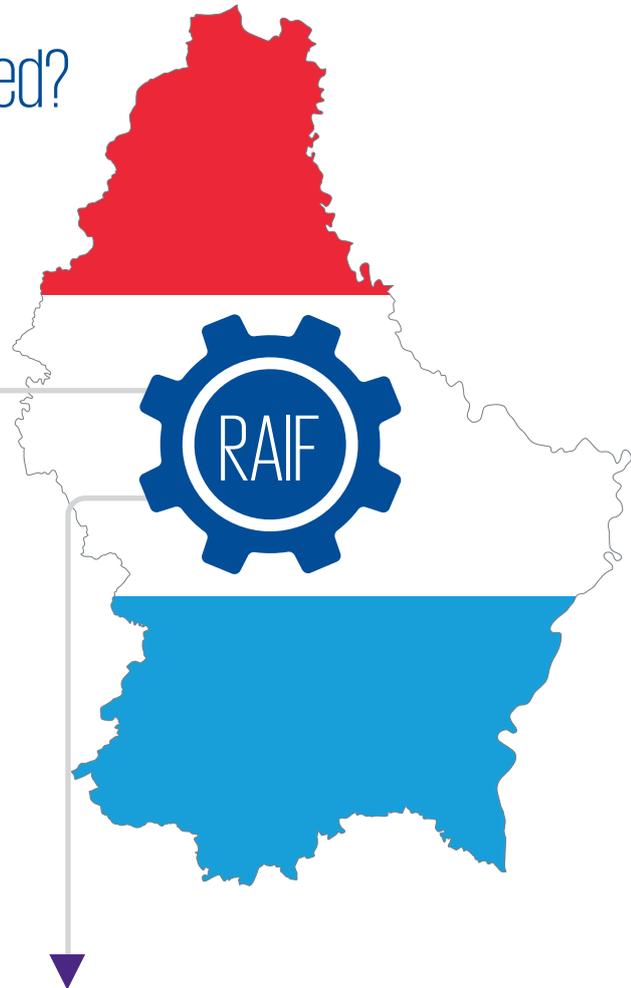
- Institutional, professional, or sophisticated retail investors (minimum investment €125,000)
- The RAIF has access to a passport enabling it to be sold to professional investors across the EU
- Investor marketing materials (the prospectus or private placement memorandum) need to meet AIFMD disclosure standards.



Which investment strategies are covered?

Investment strategy

The RAIF was designed with flexibility in mind, and as such can accommodate all asset classes and investment strategies. No risk diversification limits are defined, but the risk-spreading principle needs to be respected. In order to ensure compliance, a RAIF would, for example, be free to apply the diversification limits defined for SIFs. No risk diversification rules apply if a RAIF invests solely in risk capital.



Eligible assets

- **Transferable securities**
Listed shares, others
- **Private equity**
Investment in participations, in private equity deals, financing, direct lending
- **Hedge funds**
Equity-hedge, event-driven, macro, relative value, fund of funds, emerging markets
- **Real estate**
Direct or indirect investment via subsidiaries, direct lending to promoters, construction, promotion, residential or commercial properties
- **Art or other collectibles**
Sculptures, paintings, coins, antiques, wines, diamonds, jewellery, musical instruments, cars ...
- **Currency and precious metals**
US dollars, gold, silver, platinum, iridium, palladium
- **Derivatives**
Managed futures, options, trading, swaps, others
- **Renewable energy**
Investment in projects, infrastructure, solar panels, wind farms ...
- **Others**



Debt issuance

- **Loans and mortgages**
- **Bond issuance**
- **Subordinated and convertible bonds**
- **Hybrid debt instruments**
 - Convertible preferred equity certificates (CPECs)
 - Preferred equity certificates (PECs)
 - Profit participative bonds
 - Warrants
 - Tracker certificates
 - Equity loans
 - Any other debt instruments

I RAIFs: the essentials



Target investors

The RAIF's target clientele are well-informed investors, who are defined as institutional investors, professional investors and other investors. Other investors are typically sophisticated retail investors or private investors who will need to confirm in writing that they adhere to the status of well-informed investors and either invest a minimum of €125,000 in the RAIF or have been subject to an assessment by a credit institution or a UCITS management company or an authorized AIFM, certifying their expertise, experience and knowledge to adequately appraise an investment in the RAIF.



Legal forms

RAIFs come in a variety of legal forms. The RAIF Law refers to the contractual fund (fonds commun de placement, or FCP) and the investment company (société d'investissement à capital variable, or SICAV), but does not limit the legal forms: e.g. an investment company with fixed capital (société d'investissement à capital fixe, or SICAF) is also available.

A RAIF set up as an investment company can adopt one of the following corporate forms: a public limited company (société anonyme, or S.A.), a private limited company (société à responsabilité limitée, or S.à r.l.), a partnership limited by shares (société en commandite par actions, or S.C.A.), a common limited partnership (société en commandite simple, or SCS) or a special limited partnership (société en commandite spéciale, or SCSp).



Product and share class features

RAIFs offer a great deal of flexibility in this area. For instance, they can be set up either as stand-alone funds or as umbrella funds with segregated liability between compartments. This latter possibility is especially handy compared to, for example, an unregulated limited partnership, which cannot set up compartments. These compartments are furthermore permitted to invest in one or more compartments of the same RAIF. In terms of share classes, RAIFs permit some with different characteristics, e.g. different distribution policy, currency exposure, fees and others.

RAIFs need a minimum capital of €1,250,000 which must be reached within 12 months.



Set-up

A RAIF can be set up by notarial deed or by private deed. The investment company and contractual fund legal forms are governed, respectively, by the articles of incorporation and limited partnership agreement for a SICAV and by the management regulations for an FCP. Authorization from Luxembourg's financial regulator, the CSSF, is not needed to set up a RAIF, which significantly improves the time to market.



Appointment of an AIFM

A RAIF must be externally managed by an authorized AIFM which must be established in Luxembourg or in another EU member state. The AIFM can delegate either portfolio management or risk management to a third party in accordance with the provisions of the AIFMD.



Investor reporting

As with any product that falls under the scope of the AIFMD, the RAIF's annual accounts and investor disclosures must meet AIFMD disclosure requirements. They must be audited by an approved statutory auditor (réviseur d'entreprises agréé), and the accounting standards to be followed will, generally, be either Luxembourg GAAP or International Financial Reporting Standards (IFRS).



Distribution

Through its authorized AIFM, the RAIF benefits from the EU passport allowing the AIFM to distribute the shares, units or partnership interests to professional investors (as defined in the AIFMD) within the EU. The distribution of the RAIF to well-informed investors which do not qualify as professional investors requires compliance with the local rules.

The main investor marketing materials (the Prospectus or Private Placement Memorandum (PPM)) need to meet AIFMD disclosure standards.



Tax treatment

Risk capital RAIFs

Risk capital RAIFs are not subject to subscription or withholding tax. Neither income derived from transferable securities, nor any income arising from the transfer, contribution or liquidation of such investments, constitute taxable income. Realized losses resulting from the transfer of investments, and unrealized losses accounted for upon the reduction of the value of these assets, cannot be deducted from taxable income. Income arising from cash, pending its investment in risk capital assets, does not constitute taxable income provided such assets are reinvested in risk capital assets within twelve months and it can be established that the funds have effectively been invested in risk capital.

The RAIF is subject to the minimum net wealth tax.

An approved statutory auditor has to issue a report to the Administration des Contributions Directes (Direct Tax Administration) annually, certifying that the RAIF has invested in a portfolio of risk capital during the financial year.



Conversion to RAIF

AIFs that are set up under the Company Law, and which are not governed by the amended Law of 17 December 2010 on undertakings for collective investment, the amended Law of 13 February 2007 relating to specialized investment funds or the amended Law of 15 June 2004 relating to investment companies in risk capital, may convert to a RAIF by a resolution of a general meeting passed with a majority of two thirds of the votes cast, irrespective of the portion of the capital represented. A RAIF may also convert into a regulated vehicle using the same procedures.

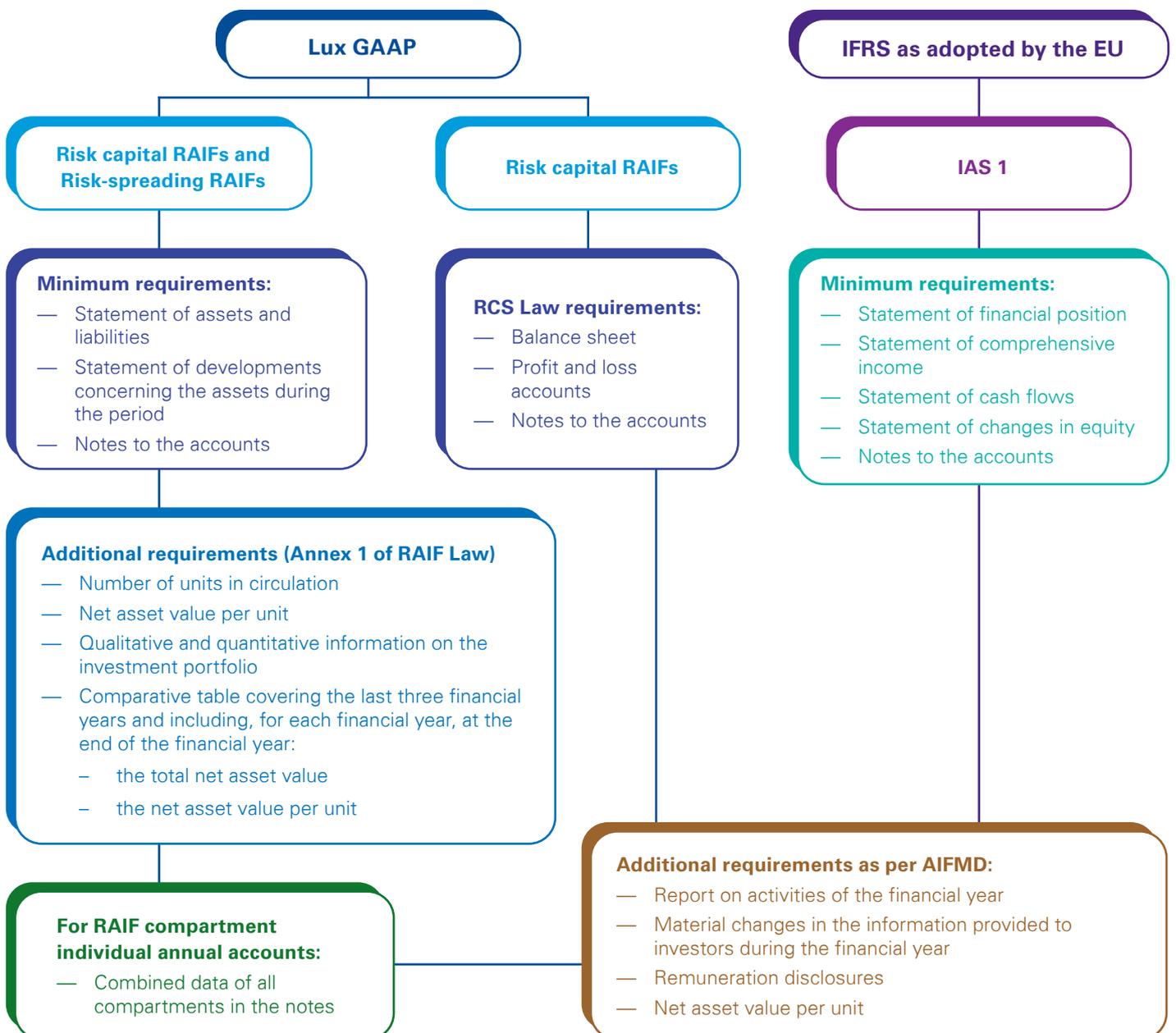
Risk-spreading RAIFs

Risk-spreading RAIFs pay only subscription tax ("taxe d'abonnement"). The amount distributed is not subject to withholding tax and is not taxable if received by non-residents. The rate of the annual subscription tax payable is 0.01% based on total net assets, valued on the last day of each quarter.

I RAIFs: financial reporting requirements

What are the financial reporting requirements?

RAIFs have to prepare annual accounts under either Luxembourg GAAP or IFRS as adopted by the EU. The following decision tree provides an overview of the different reporting frameworks and additional requirements as per the Alternative Investment Fund Managers Directive (AIFMD).



For the purpose of this publication, only Luxembourg GAAP requirements will be covered.



Key references to financial reporting requirements

Art 38(2) Law of 23 July 2016	The annual report must be made available to investors within six months from the end of the period to which it relates.
Art 38(4) Law of 23 July 2016	The annual report must include a balance sheet or a statement of assets and liabilities, a detailed income and expenditure account for the financial year, a report on the activities of the past financial year, as well as any significant information enabling investors to make an informed judgment on the development of the activities and of the results of the RAIF.
Art 38(5) Law of 23 July 2016	RAIFs and their subsidiaries are exempt from the obligation to consolidate the companies owned for investment purposes.
Art 48(1) Law of 23 July 2016	Reference is made to RAIFs whose exclusive object is the investment of their funds in assets representing risk capital.
CNC Q&A 19/018	RAIFs investing exclusively in a portfolio of risk capital can either follow the sectorial schema as per Article 38(4) of the RAIF Law or the eCDF format. "Risk-spreading RAIFs" should follow the layout of accounts prescribed as per Article 38(4) of the RAIF Law.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Société en commandite par actions

ANNUAL REPORT

FOR THE YEAR ENDED [CLOSING DATE]

WITH THE REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ THEREIN

Explanatory note:

By analogy to Article 833-21 of the Company Law on the timing of the first general meeting of shareholders, the first set of annual accounts can be drawn up for a maximum of 18 months.

Guidance:

If the financial period is less than or exceeds one year, the annual report should refer to the period from "opening date" to "closing date". This period should not exceed 18 months.

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BLUE RISK CAPITAL S.C.A. SICAV-RAIF

I Management and administration

REGISTERED OFFICE

BLUE RISK CAPITAL S.C.A. SICAV-RAIF
2 rue de l'Investissement
L-1234 Luxembourg

RÉVISEUR D'ENTREPRISES AGRÉÉ

KPMG Luxembourg, Société coopérative
39, avenue John F. Kennedy
L-1855 Luxembourg

GENERAL PARTNER

BLUE PRIVATE EQUITY S.à r.l.
2 rue de l'Investissement
L-1234 Luxembourg

**BOARD OF MANAGERS OF THE
GENERAL PARTNER**

[Name]
[Address]

INVESTMENT ADVISOR

[Name]
[Address]

ADMINISTRATOR

[Name]
[Address]

DEPOSITARY

[Name]
[Address]

**ALTERNATIVE INVESTMENT FUND
MANAGER (AIFM)**

[Name]
[Address]

LEGAL ADVISOR

[Name]
[Address]

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Explanatory note:

The RAIF Law provides for some mandatory service providers.

Article 4(1) of the RAIF Law

The RAIF shall have an authorized AIFM which has its registered office in an EU member state.

Article 5(1) of the RAIF Law

A depositary shall be assigned to the custody and safekeeping of the RAIF's assets.

Article 3 of the RAIF Law

A central administrative agent — whose usual responsibilities include the accounting and net asset value (NAV) calculations, keeping the register of shareholders/unit holders, the handling of subscriptions and redemptions, and the preparation of annual accounts — which should be based in Luxembourg.

Article 43 of the RAIF Law

The annual accounts should be audited by an approved statutory auditor in Luxembourg.

Guidance:

Changes to the above information, as well as the effective date, shall be disclosed.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

I Activity report

Explanatory note:

Article 38(4) of the RAIF Law

The annual report of a RAIF must include a report on the activities of the past financial year, as well as any significant information enabling investors to make an informed judgment on the development of the activities and of the results of the RAIF.

Article 20(2d) of the AIFM Law

The annual report shall disclose any material changes in the information listed in Article 21 of the AIFM Law during the financial year to which the report refers. The list referred to in Article 21(1) of the AIFM Law covers delegated management functions, investment strategy, contractual and service arrangements, valuation procedure, risk management, investor treatment, prime broker and depositary relationship, periodic and regular disclosures.

Article 68 of the Law of 19 December 2002, as amended

This prescribes the content of the management report applicable for commercial companies, as detailed below:

- The management report must at least include a fair review of the development of the company's business, its performance and its position, together with a description of the principal risks and uncertainties that it faces.
- The analysis of the company's development, performance or position shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters.
- The management report shall, where appropriate, include references to and additional explanations of amounts reported in the annual accounts.
- The report shall also give an indication of the company's likely future development, activities in the field of research and development, acquisition of own shares, the existence of branches of the company, transactions carried out in relation to the allocation of free shares, the company's financial risk management objectives and policies, and exposure to price risk, credit risk, liquidity risk and cash flow risk.

Guidance:

The below presentation of an activity report should be viewed as an example. Each entity needs to adapt the content and presentation of the activity report to its specific situation.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Dear Shareholders,

BLUE PRIVATE EQUITY S.à r.l. has the pleasure of presenting the annual report of BLUE RISK CAPITAL S.C.A. SICAV-RAIF ("the Company", "the RAIF" or "the Fund") for the financial year ended [closing date] based on the reported and unadjusted net asset value of the Company.

During the year, the Company drew down EUR[X] million in commitments and consequently as at [closing date], [%] of its total commitments was drawn. To date the Company has made distributions in the form of share redemptions of EUR[X] million, primarily in relation to the Company partial realization, together with some smaller distributions of cash interest receipts from the other portfolio assets. Cumulative distributions as at [closing date] represented a multiple of [amount] x of cumulative drawn capital. Further details are provided in the following table:

First closing date	Date	DD/MM/YY
Final closing date	Date	DD/MM/YY
Total fund commitments	EUR	X
Total commitments drawn	Amount	%
Remaining undrawn commitments	Amount	%
Total distributed capital	EUR	X
Distributed money multiple	Amount	X

Financial highlights

		[Closing date]	[Prior year closing date]
Total assets	EUR		
Net assets attributable to shareholders	EUR		
Profit/(Loss) for the financial year	EUR		
Net internal rate of return (IRR)	%		

Guidance:

Under the above point, the General Partner can discuss the financial performance of the RAIF from a shareholder perspective.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Portfolio overview

Explanatory note:

Article 27(1) of the AIFM Law

AIFMs managing one or more AIFs which, either individually or jointly, on the basis of an agreement aimed at acquiring control (holding more than 50% of the voting rights of the company) — and AIFMs cooperating with one or more other AIFMs on the basis of an agreement pursuant to which the AIFs managed by those AIFMs jointly acquire control — of a non-listed company, must:

- request and use best efforts to ensure that the annual report of the non-listed company is made available by the board of directors of the company to the employees' representatives or, where there are none, to the employees themselves, within the period such annual report has to be drawn up in accordance with the national applicable law. The additional information to be included in the annual report of the company or AIF must include at least a fair review of the development of the company's business, representing the situation at the end of the period covered by the annual report. The report must also give an indication of any important events that have occurred since the end of the financial year, the company's likely future development and the information concerning acquisitions of own shares prescribed by paragraph (2) of Article 22 of Council Directive 77/91/EEC; or
- for each such AIF, include in the annual report the following:
 - a. a balance sheet or a statement of assets and liabilities
 - b. an income and expenditure account for the financial year
 - c. a report on the activities of the financial year
 - d. any material changes in the information listed in Article 21 of the AIFM Law ("Disclosure to Investors"), during the financial year to which the report refers
 - e. the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries, and, where relevant, carried interest paid by the AIF
 - f. the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.

Guidance:

The portfolio overview should contain information on the methods and assumptions that have been used to value the investee companies and other relevant information such as recent performance and transactions. The General Partner may also provide an investment outlook in this section. An example is given below.

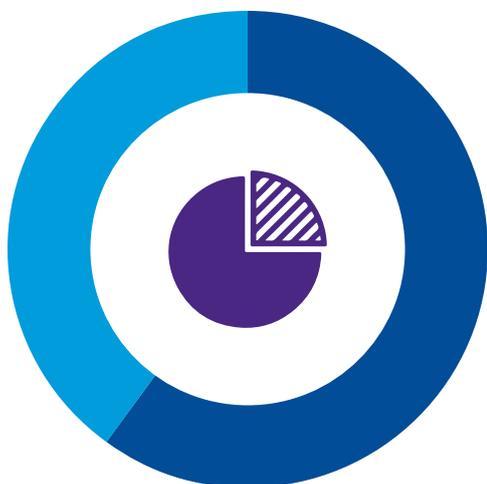
BLUE RISK CAPITAL S.C.A. SICAV-RAIF

The following chart summarizes the returns as at [closing date] for the Company.

Portfolio companies	Investment date	Amount invested (EUR)	Market value (EUR)	Money multiple before carried interest
ABC Limited	Date	Amount	Amount	Amount X
XYZ Limited	Date	Amount	Amount	Amount X

As at [closing date], the fair value of the portfolio companies was determined in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines, using the EBITDA multiple valuation technique, except for [name of company] which was kept at cost given the short holding period elapsed since acquisition. To determine the fair value of each investment, EBITDA multiples of comparable companies and recent transactions have been used, and liquidity and complexity discounts have been applied.

The following charts illustrate the split between sectors and geographies of the current portfolio of the Company.



Sector



Geographies

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Realizations

Guidance:

Under this section, the General Partner can provide information on realized investments. Such information can be presented in a different format: we illustrate one example below.

Investment name	[XYZ Ltd]
Activity description	[Business activity]
Location	[Location]
Date of investment	[Date]
Equity investment	[x]
Debt investment	[x]
Date of exit	[Date]
Type of exit	[IPO/secondary sale]
Proceeds – equity	[x]
Proceeds – debt	[x]
Realized IRR*	[%]

* IRR was computed based on the modified internal rate of return (MIRR) which assumes that positive cash flows are reinvested at the firm's cost of capital and that the initial outlays are financed at the firm's financing cost.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Committed capital

The following is a summary of the Company's investments as at [closing date]:

		(Closing date)
	EUR	% Capital committed
Committed amount		%
Capital contributed		%
Capital distributed		%
Income for the year		%
Current income distributed		%
Value of the Company		%
Represented by:		
Value of current portfolio		%
Other assets and cash		%
Other liabilities		%
Value of the Company		%

Key facts

		(Closing date)
	EUR	% Capital committed
Capital called		%
Capital distributed		%
Income distributed		%
Total distributions		%
Net asset value		%

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Results for the financial year

The General Partner ("GP") proposes to carry forward the [profit/loss] for the financial year ended [closing date] of EUR[X].

Guidance:

While Article 20(2d) of the AIFM Law mentions that the annual report shall disclose any material changes in all items listed in Article 21, for illustrative purposes, we will focus on remuneration and risk management policies and procedures.

Remuneration

Explanatory note:

Article 20(2) of the AIFM Law

The annual report must contain at least the following:

- a. the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries, and, where relevant, carried interest paid by the AIF
- b. the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.

In its Q&A related to remuneration (last updated 5 October 2017), the European Securities and Markets Authority (ESMA) clarifies that remuneration-related disclosure requirements under Article 22(2)(e) of the AIFMD also apply to delegates. It further clarifies that the information prescribed by Article 22(2)(e) and (f) should be included in the annual report.

Risk management

Explanatory note:

Article 20(2d) of the AIFM Law

The annual report shall disclose any material changes in risk management, among other items, during the financial year to which the report refers.

Article 21(4c) of the AIFM Law

This requires that the AIFM disclose the current risk profile of the AIF and the risk management systems it employs to manage those risks.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Guidance:

Tailor to the specificities of your entity.

The disclosure required for remuneration and risk management under the AIFM Law can either be included in the activity report or in an unaudited appendix to the annual report. Please refer to Appendix I for illustration of remuneration and risk management disclosures.

Please refer to the ALFI guidance document on reporting to investors and annual reports under the AIFMD for further guidance on market practice for reporting on AIFMD-required disclosures.

Purchase of own shares

During the financial year, the Company did not acquire its own shares.

Branches

The Company does not have any branches.

Research and development

During the financial year, the Company did not perform any activity in respect of research and development.

Events after the balance sheet date

The Company sold its [x]% stake in [XYZ Ltd] to institutional investors at a gross price of EUR[X] million.

Since the year end, we have seen the development of the Coronavirus Covid-19 outbreak globally. The recent outbreak of the Novel Coronavirus in many countries, which is a rapidly evolving situation, has disrupted global travel and supply chains, and has adversely impacted global commercial activity, the transportation industry and commodity prices in the energy sector. The rapid development and fluidity of this situation precludes any prediction as to its ultimate impact, which may have a continued adverse effect on economic and market conditions and trigger a period of global economic slowdown. Such conditions (which may be across industries, sectors or geographies) may impact operating performance of the investment portfolio in the near term.

Going forward the investment manager will closely monitor the virus' impact on the economy and on the earnings outlook as well as the policy measures taken by central banks and governments. The Board of Managers of the RAIF's General Partner is implementing appropriate measures to reduce the impact on the recoverability of the investments including discussions with the investors for further capital calls, the Company is drawing the revolving credit facilities to hold some cash reserve, however, only within committed credit lines and at leverage levels we are comfortable with. In the situation of insufficient liquidity, the Board of Managers of the RAIF's General Partner will consider the option of delaying initially planned investments and other expenditures.

The Board of Managers of the RAIF's General Partner and the Investment Manager continue to watch the efforts of governments to contain the spread of the virus and monitor the economic impact, if any, on the investments in the portfolio.

To date, the Board of Managers of the RAIF's General Partner do not consider that Covid-19 will impact on the going concern ability of the Company.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Guidance:

Examples of events of interest occurring after the financial year-end but before the issuance of the annual report can be acquisitions or disposals of new investments, capital calls or additional commitments.

Environmental, social and governance (ESG) factors

BLUE RISK CAPITAL S.C.A. SICAV-RAIF's mindset relies on the basis that, beyond expected profitability, there is a wide range of non-economic financial factors that must be taken into account when assessing any deal. In particular, environmental, social and corporate governance issues are taken into consideration at the different steps of investment, not only for their intrinsic social relevance, but also for the economic value they can help drive within an organization.

The Company has developed a Responsible Investment Policy to formalize its commitment to integrate ESG matters both into investment decisions and throughout the holding period of any portfolio company.

As a further step to demonstrate its commitment to ESG, the Company is now formally a signatory to the United Nations-supported Principles for Responsible Investment (UN PRI), the world's leading proponent of responsible investing. The UN PRI works to understand the investment implications of ESG factors and supports its international network of investor signatories in incorporating these factors into their investment and ownership decisions. The UN PRI acts in the long-term interests of its signatories in the financial markets and economies in which they operate and ultimately of the environment and society as a whole. It encourages investors to use responsible investment to enhance returns and better manage risks, but does not operate for its own profit; it engages with global policymakers, but is not associated with any government; it is supported by, but not part of, the United Nations.

The Board of Managers of the General Partner has decided to introduce a dedicated section on ESG in the quarterly investment review for each of the portfolio companies. In this way, the Company will be able to track the progress made by the portfolio companies in the area of ESG in a more formal and regular manner.

Guidance:

Provide information on investments which have social and environmental impacts for investors, in line with investors' expectations/appetite.

Luxembourg, [Date]

Signature

[Name of Manager]

Board of Managers of the General Partner

Guidance:

Adapt audit report to the type of RAIF — i.e. risk-spreading or risk capital RAIF. This is an example of a clean opinion of an unlisted RAIF whose annual accounts are prepared on a going concern basis.

To the Shareholders of
BLUE RISK CAPITAL S.C.A. SICAV-RAIF
2, rue de l'Investissement
L-1234 Luxembourg
Grand Duchy of Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Opinion

We have audited the annual accounts of BLUE RISK CAPITAL S.C.A. SICAV-RAIF ("the RAIF"), which comprise the [balance sheet/statement of net assets and the statement of investments as at [closing date], and the profit and loss account/statement of operations and changes in net assets] for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the RAIF as at [closing date], and of the results of its [operations/operations and changes in its net assets] for the year then ended, in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("the Law of 23 July 2016") and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the "Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts" section of our report. We are also independent of the RAIF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have

fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Managers of the RAIF's General Partner is responsible for the other information. The other information comprises the information stated in the annual report but does not include the annual accounts or our report as Réviseur d'Entreprises agréé thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers of the RAIF's General Partner for the annual accounts

The Board of Managers of the RAIF's General Partner is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation

and presentation of the annual accounts, and for such internal control as the Board of Managers of the RAIF's General Partner determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Managers of the RAIF's General Partner is responsible for assessing the RAIF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers of the RAIF's General Partner either intends to liquidate the RAIF or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the annual accounts

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the Réviseur d'Entreprises agréé that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis

for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RAIF's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers of the RAIF's General Partner.
- conclude on the appropriateness of the Board of Managers of the RAIF's General Partner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the RAIF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the Réviseur d'Entreprises agréé to the related disclosures or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the Réviseur d'Entreprises agréé. However, future events or conditions may cause the RAIF to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, [Date of the auditor's report]

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Partner/Associate Partner

Explanatory note:**Article 43(1) of the RAIF Law**

This requires the RAIF to have the accounting information given in its annual report audited by an approved statutory auditor in Luxembourg.

The approved statutory auditor's report and, as the case may be, its qualifications, are set out in full in each annual report.

Guidance:

While there is a legal requirement to file the audited annual report with the RCS on the combined figures of the RAIF, and also indirectly with the CSSF via the AIFM, the balance sheet and profit and loss account for each individual compartment can be added in the notes or as appendix to the annual accounts.

The General Partner may also opt to prepare annual accounts at compartment level, for which they may require a separate audit opinion for each compartment.

Article 49(9) of the RAIF Law specifies that a separate annual report may be established for each compartment provided that it contains, in addition to the information on the compartment concerned, the collected data of all compartments.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Balance sheet as at [closing date] (in EUR)

ASSETS	Notes	[Closing date]	[Prior year closing date]
B. Formation expenses	3		
C. Fixed assets			
I. Financial assets	4-5-18		
D. Current assets			
I. Debtors	6		
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
II. Investments			
III. Cash at bank and in hand			
E. Prepayments			
TOTAL (ASSETS)			

Guidance:

As explained earlier, the layout above and on the following pages is one permitted format for preparing annual accounts for risk capital RAIFs only. The annual accounts are filed online with the Trade and Companies Register (RCS). The eCDF platform has a built-in application control that prohibits the sections in the eCDF format from being modified or deleted. For illustrative purposes, we have only kept the sections which are usually relevant for investment funds.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Balance sheet as at [closing date] (continued) (in EUR)

CAPITAL, RESERVES AND LIABILITIES	Notes	[Closing date]	[Prior year closing date]
A. Capital and reserves	7		
I. Subscribed capital			
II. Share premium account			
III. Reserves			
IV. Profit or loss brought forward			
V. Profit or loss for the financial year			
VI. Interim dividends			
B. Provisions			
C. Creditors			
a) becoming due and payable within one year	14		
b) becoming due and payable after more than one year	15		
D. Deferred income			
TOTAL (CAPITAL, RESERVES AND LIABILITIES)			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Profit and loss account for the year ended [closing date] (in EUR)

	Notes	[Closing date]	[Prior year closing date]
1. to 5. Gross profit or loss	8		
7. Value adjustments	3		
a) in respect of formation expenses and of tangible and intangible fixed assets			
b) in respect of current assets			
8. Other operating expenses	9		
9. Income from participating interests	10		
a) derived from affiliated undertakings			
b) other income from participating interests			
10. Income from other investments and loans forming part of the fixed assets	4-5-12		
a) derived from affiliated undertakings			
b) other income not included			
11. Other interest receivable and similar income	11		
a) derived from affiliated undertakings			
b) other interest and similar income			
13. Value adjustments in respect of financial assets and of investments held as current assets	18		
14. Interest payable and similar expenses			
a) concerning affiliated undertakings	14		
b) other interest and similar expenses			
15. Tax on profit or loss	16		
16. Profit or loss after taxation			
17. Other taxes not shown under items 1 to 16	16		
18. Profit or loss for the financial year			

The accompanying notes are an integral part of these annual accounts.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Explanatory note:

A Grand-Ducal Regulation of 12 September 2019 has been issued, determining the content of the new Standard Chart of Accounts (SCA) referred to in Article 12 of the Commercial Code. The new SCA is effective for financial years starting on or after 1 January 2020.

Guidance:

In its Q&A 19/018, the CNC clarifies that RAIFs investing exclusively in assets representing risk capital can either follow the sectorial schema as per Article 38(4) of the RAIF Law or the eCDF format as per the Law of 19 December 2002, as amended, the Accounting Law of 18 December 2015 and the Grand-Ducal Regulation of 18 December 2015.

The above layout is one permitted format for preparing annual accounts for risk capital RAIFs only.

Undertakings which, on their balance sheet dates, do not exceed the limits of at least two of the following three criteria, may draw up an abridged balance sheet:

- balance sheet total: EUR4.4 million
- net turnover: EUR8.8 million
- average number of full-time staff employed during the financial year: 50

An abridged version of the eCDF format has been used for these illustrative annual accounts.

Several sections of the abridged version were intentionally removed as they are not usually used for investment funds' activities.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Guidance:

The layout for preparing annual accounts on the following pages is mandatory for risk-spreading RAIFs. For comparative purposes, the following table illustrates the distinctions in the specific account balance names for risk capital RAIFs compared to those for risk-spreading RAIFs.

Risk capital RAIFs	Risk-spreading RAIFs
Balance sheet	
Financial assets	Investments/unrealized (loss) or gain on forward exchange contracts
Creditors becoming due and payable after more than one year	Borrowings
Creditors becoming due and payable within one year	Carried interest payable*
Profit and loss account	
Gross profit or loss	Income and expenses excluding carried interest
Interest payable and similar expenses concerning affiliated undertakings	Carried interest*
Income from other investments and loans forming part of the fixed assets	Dividend income Interest on bonds
Value adjustments in respect of financial assets and of investments held as current assets	Change in net unrealized (loss)/gain on forward exchange contracts

*For carried interest which is recorded as an expense. Please refer to **note 14** for further guidance.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Explanatory note:

Article 38(4) of the RAIF Law

Information to be included in the annual report by RAIFs other than those subject to Article 48:

I. Statement of assets and liabilities:

- a) investments
- b) bank balances
- c) other assets
- d) total assets
- e) liabilities
- f) net asset value

II. Number of units in circulation

III. Net asset value per unit

IV. Qualitative or quantitative information on the investment portfolio enabling investors to make an informed judgment on the development of the activities and the results of the RAIF

V. Statement of the developments concerning the assets of the RAIF during the reference period including the following:

- a) income from investments
- b) other income
- c) management charges
- d) depositary's charges
- e) other charges and taxes
- f) net income
- g) distributions and income reinvested
- h) increase or decrease of capital accounts
- i) appreciation or depreciation of investments
- j) any other changes affecting the assets and liabilities of the RAIF

VI. A comparative table covering the last three financial years, at the end of the financial year:

- a) the total net asset value
- b) the net asset value per unit

Article 17 of the AIFM law

This requires that assets are valued and that the NAV is calculated at least once a year.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Explanatory note:

Article 1 of the RAIF Law

This requires that RAIFs are subject to the principle of risk-spreading, except for RAIFs investing solely in risk capital. There is no explicit provision in the Law in relation to risk-spreading. The principle of diversification and its interpretation in relation to SIFs should be considered.

The Management is responsible for ensuring that the minimum diversification rules implied by the RAIF Law are adhered to.

In the context of risk-spreading RAIFs (SIF-like funds), the CSSF has issued guidelines in its Circular 07/309. In principle, a SIF may not invest more than 30% of its assets or commitments to subscribe to securities of the same type issued by the same issuer.

This restriction does not apply to:

- investments in securities issued or guaranteed by an OECD member state or its regional or local authorities, nor by EU, regional or global supranational institutions and bodies
- investments in target UCIs that are subject to risk-spreading requirements at least comparable to those applicable to SIFs. For the purpose of the application of this restriction, every sub-fund of a target umbrella UCI is to be considered as a separate issuer provided that the principle of segregation of liabilities among the various sub-funds vis-à-vis third parties is ensured
- short sales may not, in principle, result in the SIF holding a short position in securities of the same type issued by the same issuer representing more than 30% of its assets
- when using financial derivative instruments, the SIF must ensure, via appropriate diversification of the underlying assets, a similar level of risk-spreading. Similarly, the counterparty risk in an OTC transaction must, where applicable, be limited, having regard to the quality and qualification of the counterparty.

In principle, these guidelines apply to all SIFs. The CSSF may grant exemptions upon appropriate justification. Moreover, in case of specific investment policies, the CSSF may require the SIF to comply with additional investment restrictions.

Guidance:

In its Q&A 19/018, the CNC mentions that RAIFs having investments other than risk capital, should follow the layout of accounts prescribed as per Article 38(4) of the RAIF Law.

For open-ended investment companies, NAV will, in general, be calculated more frequently than for closed-ended funds. As a rule of thumb, since risk-spreading RAIFs are liable to subscription tax which should be paid on a quarterly basis, NAV will have to be calculated at least quarterly for all types of funds.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Statement of net assets as at [closing date] (in EUR)

	Notes	[Closing date]	[Prior year closing date]
Assets			
Formation expenses	3		
Investments	4-5-18		
Cash and cash equivalents			
Prepayments			
Total assets			
Liabilities			
Borrowings	15		
Accounts payable and accrued expenses			
Unrealized loss on forward exchange contracts	18		
Subscription tax liability	16		
Carried interest payable	14		
Total liabilities			
Net assets			
Represented by:			
Capital contribution, net of redemptions	7		
Net increase in net assets resulting from operations			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Statement of operations and changes in net assets as at [closing date] (in EUR)

	Notes	[Closing date]	[Prior year closing date]
Income	12		
Dividend income			
Interest on bonds			
Interest on loans / notes			
Other income			
Total investment income			
Expenses	8		
Management fees	8		
Carried interest	14		
Depositary fees	8		
Administration and other professional fees	8-9		
Advisory fees			
Aborted deal costs			
Amortization of formation expenses	3		
Interest and other financial charges			
Subscription tax	16		
Other expenses			
Total expenses			
Operating profit / (loss)			
Change in net realized (loss) / gain	10		
- on investments			
Change in net unrealized (loss) / gain			
- on forward exchange contracts	18		
- on investments			
Net increase in net assets resulting from operations			

The accompanying notes are an integral part of these annual accounts.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Statement of operations and changes in net assets as at [closing date] (continued) (in EUR)

	Notes	[Closing date]	[Prior year closing date]
Net assets at the beginning of the year			
Increase in net assets resulting from operations			
Capital contributions			
Capital redemptions			
Distributions	14		
Net increase / (decrease) in net assets resulting from capital transactions			
Net assets at the end of the year	7		

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Statement of changes in number of shares as at [closing date] (in number of shares)

	As at [closing date]	As at [prior year closing date]	As at [prior year closing date]
Number of shares outstanding at the beginning of the year			
Class A ordinary shares			
Class B ordinary shares			
GP shares			
Number of shares issued during the year			
Class A ordinary shares			
Class B ordinary shares			
GP shares			
Number of shares redeemed during the year			
Class A ordinary shares			
Class B ordinary shares			
GP shares			
Number of shares outstanding at the end of the year			
Class A ordinary shares			
Class B ordinary shares			
GP shares			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Statistical information as at [closing date] (in EUR)

	As at [closing date]	As at [prior year closing date]	As at [prior year closing date]
Total net asset value at the end of the year			
Class A ordinary shares			
Class B ordinary shares			
GP shares			
Number of shares outstanding at the end of the year			
Class A ordinary shares			
Class B ordinary shares			
GP shares			

Explanatory note:

As per the Annex to the RAIF Law, a comparative table covering the last three financial years must be disclosed, including, for each financial year, at the end of the financial year:

- a. the total NAV
- b. the NAV per unit.

Guidance:

Informative NAV per share, with the impact of carried interest, may also be presented. Please refer to **note 14** for further details.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Statement of investments as at [closing date] (in EUR)

Economic classification: Recycling and waste management (example)

Geographical classification: Japan (example)

Description	Quantity/ Nominal value	Ownership %	Coupon	Maturity/ expiry date	Original currency	Cost EUR	Carrying amount EUR	% of net assets
SHARES								
ABC Ltd								
- Ordinary shares								
- Preference shares								
LOAN NOTES								
ABC Ltd								
Total (on a look-through basis)								

Explanatory note:

As mentioned in the Annex to the RAIF Law, the annual accounts shall include qualitative or quantitative information on the investment portfolio enabling investors to make an informed judgment on the development of the activities and the results of the RAIF.

Guidance:

The above detailed table is for illustrative purposes and can be tailored to the requirements of the investors.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date)

(1) General

BLUE RISK CAPITAL S.C.A. SICAV-RAIF (“the RAIF” or “the Company”) is a Luxembourg reserved alternative investment fund (fonds d’investissement alternatif réservé) with variable capital which qualifies as an alternative investment fund (AIF) in the meaning of the amended law of 12 July 2013 on Alternative Investment Fund Managers (“the AIFM Law”).

Guidance:

As a general rule, investment companies follow the law of 10 August 1915, as amended, except where the RAIF Law takes precedence over the Luxembourg Company Law.

The RAIF was incorporated on [date] pursuant to the laws of the Grand Duchy of Luxembourg under the form of a partnership limited by shares (société en commandite par actions or S.C.A.). It is registered under number B [999999] with the Trade and Companies Register (RCS) in Luxembourg.

The General Partner of the RAIF is BLUE PRIVATE EQUITY S.à r.l. which is established under the laws of the Grand Duchy of Luxembourg and registered with the RCS under number B [xxxxxx].

The RAIF is established as an “umbrella-type” structure with several Compartments in accordance with Article 49 of the amended Law of 23 July 2016 on Reserved Alternative Investment Funds (“the RAIF Law”). A separate portfolio of assets is maintained for each Compartment and is invested in accordance with the investment strategy and investment guidelines applicable to that Compartment.

Each Compartment corresponds to a distinct part of the assets and liabilities of the RAIF. The rights of Shareholders and of creditors concerning a Compartment or which have arisen in connection with the creation, operation or liquidation of a Compartment are limited to the assets of that Compartment (the “ring-fencing” principle). The assets of a Compartment are exclusively available to satisfy the rights of Shareholders in relation to that Compartment and the rights of creditors whose claims have arisen in connection with the creation, operation or liquidation of that Compartment. For the purpose of the relations between Shareholders, each Compartment will be deemed to be a separate entity.

Guidance:

Although an umbrella structure is a single legal entity, in general, the assets of each compartment can be used to satisfy the rights of investors and creditors whose claims have arisen in relation to that particular compartment, unless a clause to the contrary is included in the constitutive documents of the RAIF. The RAIF is, however, a single legal entity.

RAIFs and their subsidiaries are exempt from the obligation to consolidate the companies owned for investment purposes.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(1) General (continued)

As a Luxembourg partnership limited by shares (SCA), the RAIF has two types of Shareholders:

- the Unlimited Shareholder, holding one GP Share, which will be liable without any limits for any obligations that cannot be met out of the assets of the RAIF; and
- the Limited Shareholders holding the Ordinary Shares of any Series, Class and Compartment, whose liability is limited to the amount of their investments in the RAIF and their share of the RAIF's profits.

The RAIF is managed by the General Partner in its capacity as sole Unlimited Shareholder of the Fund. BLUE PRIVATE EQUITY S.à r.l., having its registered office at [address], duly incorporated on [date] under the laws of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B [xxxx], acts as the "General Partner".

The General Partner has the sole exclusive power to administer and manage the RAIF and to determine the investment objective, investment policy, investment powers and restrictions and the course of conduct of the management and business affairs of the RAIF and the sub-funds, in compliance with the articles of incorporation and the Private Placement Memorandum (PPM), and applicable laws and regulations.

The General Partner has appointed [XYZ S.A.] ("the AIFM"), a public limited liability company (société anonyme), having its registered office at [address], to perform certain management and administrative functions (such as portfolio management and risk management) in respect of the Company. The AIFM has been designated, pursuant to the AIFM Agreement, to serve as the Fund's alternative investment fund manager within the meaning of Chapter 2 of the AIFM Law.

[The exclusive object of the RAIF is to invest the funds available to it, directly or indirectly, in any kind of investments in risk capital complying with the launching, development or listing objectives within the meaning of Article 48(1) of the RAIF Law.]

Explanatory note:

Article 48(1) of the RAIF Law

This indicates what is meant by investment in risk capital — that is, the direct or indirect contribution of assets to entities in view of their launch, development or listing on a stock exchange. RAIFs whose exclusive object is the investment of their funds in assets representing risk capital are not required to spread investment risks.

The approved statutory auditor of the RAIF shall establish for each financial year a report in the form of an agreed-upon procedure (AUP) certifying that during the past financial year, the RAIF has complied with the policy of investing in risk capital. This report shall be transmitted by the General Partner to the Administration des Contributions Directes (Direct Tax Administration) (see Annex I).

The RAIF may take any measures, and carry out any transaction, which it may deem useful for the fulfillment and development of its purpose to the largest extent permitted under the RAIF Law and (if any) any other applicable regulations or circulars.

The RAIF's financial year starts on the first day of [opening month] and ends on the last day of [closing month] of each year.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(2) Summary of significant accounting policies

(a) Basis of presentation

The annual accounts have been prepared on a going concern basis in accordance with legal and regulatory requirements and generally accepted accounting principles in the Grand Duchy of Luxembourg under historical cost convention (except for the use of the fair value option for the investments).

The annual accounts are prepared by aggregating the annual accounts of the Compartments comprising the RAIF.

Guidance:

Transactions and balances between compartments can be eliminated at the combined level.

The non-going concern basis of accounting will be adopted in the instance of liquidation.

(b) Use of estimates

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Managers of the General Partner ("the Management") to exercise their judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The RAIF makes estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Guidance:

Although the Board of Managers of the General Partner may delegate the actual valuation work — to a sub-committee, the investment advisor, a third-party service provider or other trusted persons — the responsibility for the valuation of investments remains with the General Partner. In addition, Article 19 of the AIFMD mentions that the AIFM shall ensure that, for each AIF they manage, appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the AIF can be performed in accordance with this Article, the applicable national law and the AIF rules or instruments of incorporation. The rules applicable to the valuation of assets and the calculation of the NAV per unit or share of the AIF shall be laid down in the law of the country where the AIF is established and/or in the AIF rules or instruments of incorporation. AIFMs shall also ensure that the NAV per unit or share of AIFs is calculated and disclosed to the investors in accordance with this Article, the applicable national law and the AIF rules or instruments of incorporation. The valuation procedures used shall ensure that the assets are valued and the NAV per unit or share is calculated at least once a year.

The general information presented in the accounting policy and in relation to each specific investment (in this example, given within the activity report) should enable the reader to understand what methods the General Partner has used to determine the fair value of investments and what level of oversight the General Partner has exercised over the investments and their valuation.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(2) Summary of significant accounting policies (continued)

(c) Investments valuation

The assets of the Company are valued as follows:

- i. The value of the securities which are quoted, traded or dealt in on any stock exchange or on any active regulated market shall be based on the latest available price published or, if appropriate, on the bid price on the stock exchange which is normally the principal market of such securities, and each security traded on any other regulated market shall be valued in a manner as similar as possible to that provided for quoted securities.
- ii. Shares in unquoted instruments shall be valued by the Board of Managers of the General Partner using the private equity valuation guidelines published by the International Private Equity and Venture Capital Association, including earnings multiples and discounted cash flow models.
- iii. The fair value of the underlying funds is based on the net asset value as determined by the Administrator or General Partner. Where no net asset value has been determined at the reporting date the investment is valued using the latest available net asset value adjusted for cash movements up to the reporting date.
- iv. The General Partner may adjust the reported net asset value of an underlying fund or perform an independent valuation should the net asset value not be considered as representative of fair value.
- v. Cash and other liquid assets are valued at their face value with interest accrued to the end of the preceding day.
- vi. The liquidating value of futures, spot, forward or options contracts not traded on stock exchanges nor on other regulated markets shall mean their net liquidating value determined, pursuant to the policies established by the Board of Managers of the General Partner, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, spot, forward or options contracts traded on stock exchanges or on other regulated markets shall be based upon the last available settlement prices of these contracts on stock exchanges and regulated markets on which the particular futures, spot, forward or options contracts are traded by the portfolio — provided that, if a futures, spot, forward or options contract could not be liquidated on the day with respect to which net assets are being determined, the basis for determining the liquidating value of such contract shall be such value as the Board of Managers may deem fair and reasonable.
- vii. Values expressed in a currency other than Euro shall be translated to Euro at the average of the last available buying and selling price for such currency.

Explanatory note:

Article 33 of the RAIF Law

This requires that the valuation of the assets of the RAIF should be at fair value unless otherwise provided in the constitutive documents. Therefore, assets can also be valued using lower of cost or market value (LOCOM) principle under Lux GAAP.

Fair valuation of financial assets under Lux GAAP usually refers to the most common valuation guidelines derived from IPEV.

Guidance:

Description of the valuation policy shall be aligned with the valuation policies documented in the private placement memorandum or prospectus.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(2) Summary of significant accounting policies (continued)

(d) Net realized gain or loss on sales of securities

The net realized gain or loss on the sale of securities is calculated on the basis of the average cost of the securities sold.

(e) Foreign exchange translation

The annual accounts are expressed in currency (EUR or USD or other currency). Bank accounts, the market value of the investment portfolio and other assets or liabilities expressed in currencies other than the accounting currency are translated into the accounting currency at the applicable exchange rates prevailing at the end of the year.

Interest income is accounted for using the currency exchange rates prevailing at the payment date or at the exchange rates prevailing at the end of the year if they are receivable.

Other income and expenses expressed in currencies other than the accounting currency are translated into the accounting currency at the applicable exchange rates prevailing at payment date or at the exchange rates prevailing at the end of the year if they are accrued.

(f) Income and expenses

Interest income is recorded on an accruals basis net of withholding tax, if any. Dividend income is recognized when declared by the investment.

(g) Carried interest

Carried interest due to the General Partner is recorded as an expense in the profit and loss account, in line with the provisions of the PPM, and is further described in [note 14](#).

Guidance:

FAQ2020-08 from the Institut des Réviseurs d'Entreprises (IRE) provides the following guidance:

The accounting policy will depend on the description in the offering document, the legal structure and the accounting framework and should be analyzed on a case-by-case basis.

(h) Formation expenses

Formation expenses consist of costs in connection with the incorporation or extension of the RAIF and are amortized over a period of five years.

Explanatory note:

Article 53 of the Law of 19 December 2002, as amended

Formation expenses must be written off within a maximum period of five years. The General Partner decides whether to amortize, or to write off the full amount of formation expenses immediately.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(2) Summary of significant accounting policies (continued)

(i) Financial assets

The investments are initially recognized on trade date at cost. The original cost or the price of any subsequent capital increase is considered as an approximation of the fair value at the time of transaction.

The financial assets have been fair valued following the valuation accounting policy below.

The investments are stated at fair value in accordance with generally accepted valuation principles from the International Private Equity and Venture Capital Valuation (IPEV) Guidelines.

The value assigned is based upon available information received from the General Partner and does not necessarily represent the amount which might ultimately be realized.

Unrealized gains or losses are reflected in the profit and loss account under the heading "Value adjustments in respect of financial assets and of investments held as current assets".

Distributions received from financial fixed assets are first recorded as a deduction of financial fixed assets until the cost is repaid and then booked under "Income from other investments and loans forming part of the fixed assets" in the relevant Compartment.

Guidance:

The Board of IPEV issued the following guidelines on 31 March 2020 on valuation of investments following the spread of Coronavirus Covid-19:

- Strong valuation processes should continue to be followed.
- Fair value does not equal a "fire sale" price.
- Fair value does represent the amount that would be received in an orderly transaction using market participant assumptions in the current market environment.
- Fair value is based on what is known and knowable at the measurement date.
- A view may need to be taken at the measurement date as to the potential for and impact of possible government subsidies that may impact individual companies and the overall economic environment. The impact of government subsidies or initiatives generally would not be reflected in the results of a portfolio company until it crystalizes or can be reasonably assured.
- Care should be taken not to "double dip" with respect to valuation inputs—if performance metrics have been adjusted to take into account lower expected performance, an appropriate multiple should be applied rather than a multiple derived from comparable public companies whose results have not yet included lower expected performance. The same concept applies when using the income approach, discounted cash flow (DCF). If future cash flows have been adjusted the increase in the discount rate may be less than the increase in the discount rate if cash flows have not been adjusted for the impact of the crisis.
- Market participant views matter – greater uncertainty may translate into greater risk which may translate into greater required returns which may translate into lower asset values.
- It may no longer be appropriate for recent transaction prices, especially those from before the expansion of the pandemic to receive significant, if any, weight in determining fair value.

The above guidelines should be consistently applied across all investment types, industries and stages of investment (early stage, mid stage and late state).

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

Guidance (continued):

For further details on specific types of investments, please refer to the IPEV guidelines issued on 31 March 2020.

In general, there are two methods to account for distributions:

- a. Recallable distribution is normally recorded as a deduction of net cost.
- b. Non-recallable distribution is, in general, recorded as a dividend and classified as other income from participating interests or dividend income.

(j) Debtors

Debtors are stated at nominal value less adjustments for permanent impairment in value as deemed necessary by the General Partner.

(k) Creditors

Creditors are stated at reimbursement value.

(l) Distributions

Distributions are recognized in the period in which they are declared.

(m) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments which are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

(n) Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the reporting date, are either likely to be incurred or certain to be incurred, but uncertain as to their amount or as to the date on which they will arise.

Provisions may also be created to cover charges which originate in the financial period under review or in a previous financial period, the nature of which is clearly defined and which, at the reporting date, are either likely to be incurred or certain to be incurred, but uncertain as to their amount or as to the date on which they will arise.

(o) Borrowings

Borrowings are carried at their nominal value.

(p) Derivative financial instruments

The RAIF may enter into derivative financial instruments such as options, swaps, futures or foreign exchange contracts. These derivative financial instruments are initially recorded at cost. They are subsequently valued at fair value. Unrealized gains or losses are recorded in the statement of operations and changes in net assets or profit and loss account.

Commitments relating to derivative financial instruments are disclosed in the notes.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(3) Formation expenses

Movements during the year were as follows:

	Total EUR
Balance as at [opening date]	
Additions	
Withdrawals	
Amortization for the year	
Balance as at [closing date]	

Explanatory note:

Article 39(4) of the Company Law

Disclosure of movements in the formation expenses is required as follows:

- a. purchase price or production cost
- b. additions, disposals and transfers during the financial year
- c. cumulative value adjustments at the closing date
- d. rectifications made during the financial year to the value adjustments of previous financial years.

It is a requirement to disclose the combined figure at company level.

Guidance:

The combined figure can be broken down by compartment.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(4) Financial assets

EUR

Cost — opening balance

Equity

Loans

Additions (call)

Disposals (return of capital)

Cost — closing balance

Equity

Loans

EUR

Fair value — opening balance

Equity

Loans

Additions (call)

Disposals (return of capital)

Fair value adjustments

Fair value — closing balance

Equity

Loans

Guidance:

The RAIF may opt to show the above information by Compartment.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(4) Financial assets (continued)

(i) Shares held in affiliated undertakings

Name of undertaking	Registered office	No. of shares held	% ownership	Last balance sheet date	Profit/(Loss) for the last financial year	Net equity at the balance sheet date of the company concerned

(ii) Details of other loans

Name	Date of inception	Maturity date	Interest rate	Carrying amount	Fair value

Explanatory note:

Article 65(1) 2 of the Law of 19 December 2002, as amended

- For risk capital RAIFs in which the entity holds 20 percent or more of the capital, the name and registered office, the proportion of capital held, the amount of capital and reserves and the result of the latest financial year of the investee company for which the accounts have been approved are to be disclosed.
- This information may be omitted where for the purposes of true and fair view it is immaterial.
- The information concerning capital and reserves and the profit or loss may also be omitted where the undertaking concerned does not publish its balance sheet and less than 50% of its capital is held, directly or indirectly, by the company.

The information concerning the amount of capital and reserves and profits and losses for the last financial year for which the accounts have been drawn up may be omitted:

- where the undertakings concerned are included in consolidated accounts drawn up by the parent company or in the consolidated accounts of a larger body of undertakings
- or where the holdings in their capital have been dealt with by the parent company in its annual or consolidated accounts in accordance with the equity method (Article 67(3)).

This information prescribed in Article 65(1) 2 may take the form of a statement deposited with the RCS: this must be disclosed in the notes to the accounts (Art. 67(1) a)).

This information may be omitted when their nature is such that it would be seriously prejudicial to any of the undertakings to which Article 65(1) 2 relates. The omission of such information must be disclosed in the notes to the accounts (Art. 67(1) b)).

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(5) Schedule of investments

As at [closing date], the RAIF has committed/invested into the investments listed below.

Guidance:

For risk capital RAIFs

The table should provide an overview of the company's investments; this section should include qualitative or quantitative information on the investment portfolio, enabling investors to make an informed judgment on the development of the activities and the results of the company.

The table below is for illustrative purposes only.

The level of disclosure will depend mainly on the two following aspects:

- the legal and regulatory requirements applicable to the vehicle
- the governance of the structure.

Statement of investments

Description	Quantity/Nominal	Value ([Currency])	% of net assets
Position Name 1			
Position Name 2			
Position Name 3			
Position Name 4			

Breakdown by country

Description	Value ([Currency])	% of net assets
Country 1		
Country 2		
Country 3		
Country 4		

Breakdown by economic sector

Description	Value ([Currency])	% of net assets
Sector 1		
Sector 2		
Sector 3		
Sector 4		

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(6) Debtors — amounts becoming due and payable within one year

	[Closing date] EUR	[Prior year closing date] EUR
Amounts owed by affiliated undertakings becoming due within one year		
Convertible loan		
Loan		
Other receivables		
Total		

(7) Capital and net assets distributable to shareholders

The Company has issued three classes of share:

Class A shares — ordinary shares subscribed by the Limited Partner as Unlimited Shareholder (actionnaire gérant commanditaire).

Class B shares — ordinary shares subscribed by the Limited Shareholders (actionnaires commanditaires).

GP shares — participating shares subscribed by the General Partner and which entitle the owners thereof to carried interest.

The subscribed capital of the Company is composed as follows:

	[Prior year closing date]		Additions/ (Redemptions) during the year		[Closing date]	
	Shares	EUR	Shares	EUR	Shares	EUR
Class A ordinary shares						
Class B ordinary shares						
GP shares						

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(7) Capital and net assets distributable to shareholders (continued)

Explanatory note:

Article 65(1) of the Law of 19 December 2002, as amended

The number and nominal value of shares subscribed during the financial year must be disclosed. In the absence of a nominal value, the accounting par value of each class of shares is used. The existence of any profit units, convertible bonds, warrants, options or similar securities or rights, with an indication of their number and the rights they confer must be disclosed.

Article 25 of the RAIF Law

The subscribed capital of the RAIF, increased by the amount of share premiums or the value of the amount constituting partnership interests, may not be less than EUR 1 250 000. This minimum must be reached within a period of 12 months following the incorporation of the RAIF.

Guidance:

Even if foreseen in the eCDF layout, uncalled and unpaid capital can be disclosed as an off-balance sheet item in the notes to the annual accounts. The market practice is to record only capital called in subscribed capital under the capital and reserves section of the balance sheet.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(7) Capital and net assets distributable to shareholders (continued)

	GP shares EUR	Class A shares EUR	Class B shares EUR	Total shareholders' capital EUR
Committed capital				
Recallable distribution — opening balance				
Non-recallable distribution — opening balance				
Capital call during the year				
Recallable distribution during the year				
Non-recallable distribution during the year				
Cumulative net capital contributions				
Cumulative net unrealized result — opening balance				
Net result for the year				
Management fee — opening balance				
Management fee — paid out during the year				
Total net assets attributable to shareholders				

Guidance:

A separate table can be included to give a breakdown of the capital situation of the company with regards to capital calls and distributions.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(7) Capital and net assets distributable to shareholders (continued)

The cumulative capital contribution made by the Shareholders of the Company during the year amounted in total to [amount].

The capital committed, called and uncalled as at [closing date] was as follows:

Class of shares	Total capital commitment EUR	Funded capital EUR	Unfunded capital commitment EUR
Class A shares			
Class B shares			
Total (commitment-based)			
GP shares			
Total (non-commitment based)			
Total funded capital			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(8) Gross profit or loss

Gross loss consists mainly of other external expenses.

Guidance:

There should be a description of the fee structures with regards to General Partner fees, Investment Advisor fees, Custodian fees and similar. References can be made to the agreements governing the fees or to the prospectus.

The RAIF may opt to provide information by compartment.

As at [closing date] and [closing date of prior year], the other external expenses were as follows:

Class of shares	[Closing date]	[Prior year closing date]
	Total EUR	Total EUR
Management fees		
AIFM fees		
Administrative fees		
Depositary fees		
Total		

During the Investment Period, the General Partner will receive out of the RAIF's assets a management fee per annum equal to the percentages set out below of the investors' commitments.

After the Investment Period, the General Partner will receive out of the RAIF's assets a management fee per annum equal to the percentages set out below of the aggregate invested capital. Specific provisions in case of partial realization are foreseen in the PPM.

The management fee will accrue and be payable quarterly in advance.

The percentages applied to the various share classes outstanding are as follows:

- Class A ordinary shares: [%]
- Class B ordinary shares: [%]
- GP shares: [%]

The aggregate invested capital referred to above as a calculation basis may be adjusted when, in respect of any given investment, the invested capital has been reduced to zero, but there continues to be an unrealized value to the Fund in relation to such investment. The General Partner may, at its discretion, decide to substitute such investments' invested capital in the calculation basis with up to [x]% of the original invested capital pertaining to such investment. At the point at which the unrealized part of such investment has been realized, an equalization adjustment to the management fee charged in relation to the unrealized part is calculated.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(9) Other operating expenses

Guidance:

A breakdown should be included in the notes to the annual accounts if sufficient details are not provided in the profit and loss accounts.

As at [closing date], other operating expenses consisted of the following:

	Total EUR
Legal fees	
Publication fees	
Printing expenses	
Professional expenses	
Total	

(10) Income from participating interests

Income from participating interests comprises distributions from the underlying investments of EUR[X] ([prior year]: EUR[X]) and gains or losses on disposals of investments linked by virtue of participating interests of EUR[X] ([prior year]: EUR[X]).

(11) Other interest receivable and similar income

For the year ended [closing date], other interest receivable and similar income consisted of foreign exchange gain on disposal of financial assets.

For the year ended [closing date of prior year], other interest receivable and similar income amounted to EUR[X].

(12) Income from other investments and loans forming part of the fixed assets

Income from other investments and loans forming part of the fixed assets is composed of distributions received from underlying funds or dividend income for the year ended [closing date] amounting to EUR[X] ([prior year]: EUR[X]) and interest on bonds amounting to EUR[X] ([prior year]: EUR[X]).

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(13) Related parties

The General Partner of BLUE RISK CAPITAL S.C.A. SICAV-RAIF is BLUE PRIVATE EQUITY S.à r.l., a limited liability company (société à responsabilité limitée) organized under the laws of Luxembourg. The General Partner is advised by [name].

Explanatory note:

Article 65(1) 7ter° of the Company Law

Disclose all transactions entered into with related parties: the amount, the nature of the relationship with the related party and any other information needed for an understanding of the financial position of the company.

Guidance:

Mention any other related parties and provide quantitative and qualitative information regarding related party transactions. The companies have the option to disclose only the transactions not concluded under normal market conditions.

(14) Distributions

Net proceeds attributable to the sale of interests in target companies, and any dividends, interest income or other distributions or return of capital received, less (i) all principal and interest payments on any third-party indebtedness attributable to BLUE RISK CAPITAL S.C.A. SICAV-RAIF and other sums due to such lenders, (ii) cash used for operating activities or held as reserve and (iii) any fees due to the General Partner, service providers or any of their affiliates, shall be allocated so that:

- first, Class A Shareholders receive [x]% of their aggregate drawn commitments (“the Capital Return”)
- then Class B Shareholders receive a preferred return equal to, compounded annually, [x]-year Euribor plus [x]% on their drawn commitments (“the Preferred Return”)
- then [x]% is allocated to the General Partner until it has reached, on a cumulative basis, a carried interest percentage up to [x]% of the Preferred Return.

The following tables provide an illustrative simulation of the impact of the carried interest that would be due, in accordance with the distribution waterfall mechanism.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(14) Distributions (continued)

Simulation as at [closing date]							
	Gross NAV	Hurdle	Catch-up	Profits	Net NAV	Gross NAV/share	Net NAV/share
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Class A ordinary shares							
Class B ordinary shares							

Simulation as at [prior year closing date]							
	Gross NAV	Hurdle	Catch-up	Profits	Net NAV	Gross NAV/share	Net NAV/share
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Class A ordinary shares							
Class B ordinary shares							

Guidance:

IRE FAQ2020-08

- Include description of the carried interest mechanism in place as per the RAIF's PPM including sufficient information about the mechanism of the calculation and payment as well as the distribution waterfall.
- Disclose the existence of clawback in the carried interest mechanism.
- Disclose a comprehensive accounting policy in accordance with Art. 65 (1) 1° of the Law of 19 December 2002, as amended including indication of economic rights attached to specific classes of shares in accordance with Art. 65 (1) 5°.
- Include quantified estimates on carried interest when relevant.
- Disclose management's assessment whether the conditions as per the PPM are reached for carried interest at year end.
- Disclose the amount of all financial commitments or contingencies not included in the balance sheet in the notes to the accounts in accordance with the Law of 19 December 2002, as amended.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(15) Creditors becoming due and payable after more than one year

At year-end, creditors becoming due and payable after more than one year were composed as follows:

Nature	Lender	Maturity date	Drawdown currency	Net NAV	Outstanding principal amount	
					[Closing date]	[Prior year closing date]
Loan facility — revolving loan facility						
Loan facility — term loan facility						
Total						

On [date], [Bank X] made available to BLUE RISK CAPITAL S.C.A. SICAV-RAIF a revolving facility for a total commitment of EUR[X] million in order to finance the general corporate purpose including, among other items, the coverage of the Fund's expenses and other short-term liquidity needs and a term facility for a total commitment of EUR[X] million to carry out direct or indirect investments.

The revolving loan facility is repayable in full on the last day of its interest period. The term loan is repayable in full at maturity, with some mandatory prepayments in case of (partial) exits from portfolio companies.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF ("the Pledgors") entered into a bridge facility agreement on [date] ("the Bridge Facility Agreement"). On [date], the Company and the original lenders agreed to amend the Company's commitments to the facility, increasing lending commitments to EUR[X] billion.

Under the terms of a "Pledge Agreement", the Company has been granted a pledge over the rights of the Pledgors with respect to drawable commitments, including the right to send and/or issue drawdown notices to the Shareholders, or in its own capacity, which the Company would only be entitled to enforce following an event of default under the Bridge Facility Agreement.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(16) Taxation of the Company

RAIFs subject to Article 48

The Company is subject to income tax in Luxembourg, however, pursuant to the applicable laws, any income derived from investments held by the Company as well as any income arising from the transfer, contribution or liquidation of such investments does not constitute taxable income of the Company.

Realized losses resulting from the transfer of investments, as well as unrealized losses accounted for upon the reduction of the value of these assets, may not be deducted from the taxable income of the Company.

Moreover, income arising from cash, pending its investment in risk capital assets, does not constitute taxable income either, provided such assets are reinvested in risk capital assets within twelve months. The Company's income in the form of dividends and interest from sources outside of Luxembourg may be subject to certain withholding taxes.

The Company is subject to the minimum net wealth tax effective at [date].

Explanatory note:

Article 45(2) of the RAIF Law

The RAIF is not subject to withholding tax.

Article 48(2) of the RAIF Law

Income derived from transferable securities, as well as any income arising from the transfer, contribution or liquidation of such investments, does not constitute taxable income of the company.

Realized losses resulting from the transfer of investments, as well as unrealized losses accounted for upon the reduction of the value of these assets, may not be deducted from the taxable income of the company.

Income arising from cash, pending its investment in risk capital assets, does not constitute taxable income either, provided such assets are reinvested in risk capital assets within twelve months.

Article 57 of the RAIF Law

The RAIF is subject to the minimum net wealth tax.

Article 48(2) of the RAIF Law

The RAIF is not subject to subscription tax.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(16) Taxation of the Company (continued)

RAIFs not subject to Article 48

BLUE RISK CAPITAL S.C.A. SICAV-RAIF is not subject to any Luxembourg taxes on income or capital gains under existing legislation and regulations. The Fund is, however, subject to the "taxe d'abonnement" (subscription tax) at the rate of 0.01% per annum, calculated and payable quarterly to Luxembourg authorities, on the aggregate net asset value of the outstanding shares of the Fund at the end of each quarter.

Explanatory note:

Article 45(1) of the RAIF Law

No other tax shall be payable by RAIFs apart from subscription tax.

Article 45(2) of the RAIF Law

The amounts distributed by RAIFs shall not be subject to a withholding tax. They are not taxable if received by non-residents.

Article 46(1) of the RAIF Law

The rate of the annual subscription tax payable by RAIFs shall be 0.01%, based on total net assets valued on the last day on each quarter.

(17) Off-balance sheet commitments

As at [closing date], the Company had a total commitment of EUR[X] ([closing date of prior year]: EUR[X]) in various investment funds, of which EUR[X] ([closing date of prior year]: EUR[X]) remained undrawn. The undrawn amount does not take into account contributions made outside of commitment.

Explanatory note:

Article 38 of the Law of 19 December 2002, as amended

All commitments not already included in the balance sheet as liabilities must be disclosed in notes, with specific disclosure on any collateral granted on assets. Commitments in respect of affiliated undertakings (investments) must be disclosed separately.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(18) Forward exchange contracts

At year-end, the RAIF had entered into the following forward exchange contracts:

Sell ([currency])	Buy (EUR)	Maturity	Unrealized loss at closing (EUR)	Counterpart	% of net assets
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As at [closing date], the cumulated unrealized loss amounted to EUR[X].

Explanatory note:

In the absence of disclosure requirements on derivatives, the guideline from the European Securities and Markets Authority (ESMA/2014/937EN) can be referred to. The fund's annual report should contain details of the following:

- the underlying exposure obtained through financial derivative instruments;
- the identity of the counterparty(ies) to these financial derivative transactions; and
- the type and amount of collateral received by the fund to reduce counterparty exposure.

(19) Subsequent events

The RAIF sold its [x]% stake in [XYZ Ltd] to institutional investors at a gross price of EUR[XX].

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 as pandemic. Covid-19 is a significant challenge for humanity and for the economy globally, and at the date of these annual accounts its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

It is the responsibility of the Board of Managers of the RAIF's General Partner to make estimates about recoverability of the RAIF's assets and the appropriateness of the related disclosures and of the going concern basis of preparation of the annual accounts.

The valuation of the assets as at 31 December 2019 as disclosed in the annual accounts reflects the management estimate and economic conditions in existence at that date.

Guidance:

Significant events occurring after the financial year-end but before the issuance of the annual report need to be disclosed here.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(20) Additional information based on United States Generally Accepted Accounting Principles (US GAAP)

Explanatory note:

Companies with US investors and an SEC-registered investment advisor can provide the following supplementary information to meet the requirements of rule 206(4)-2 under the Investment Advisors Act of 1940 (“the Custody Rule”) as per Question VI.5 of the FAQ of the SEC: “Pooled vehicles organized outside of the United States, or having a general partner or other manager with a principal place of business outside the United States, may have their financial statements prepared in accordance with accounting standards other than US GAAP so long as they contain information substantially similar to statements prepared in accordance with US GAAP. Any material differences with US GAAP must be reconciled. The Division would not recommend enforcement action if that reconciliation is included only in the financial statements delivered to US persons.”

Guidance:

This note contains certain information and disclosures, which are prepared under application of US GAAP, in order to meet the requirements of rule 206(4)-2 under the Investment Advisors Act of 1940 (“the Custody Rule”).

This note does not purport to be a full US GAAP disclosure but contains financial information that is prepared under application of US GAAP.

The US GAAP information is structured as follows:

- 20.1. Analysis of differences between US GAAP and accounting policies as described in note 2
- 20.2. Fair value measurements
- 20.3. Financial highlights
- 20.4. Statement of cash flows

For US GAAP purposes, the Company is an investment company and follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 946, Financial Services — Investment Companies.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(20) Additional information based on United States Generally Accepted Accounting Principles (US GAAP) (continued)

20.1 Analysis of differences between US GAAP and accounting policies as described in note 2

The General Partner prepares and presents the annual accounts on the basis of the accounting policies set out in note 2 (Summary of significant accounting policies, or the “Accounting Policies”) and in accordance with the basis of the going concern assumption. For this note, the General Partner has prepared an analysis of significant differences between the “Accounting Policies” and US GAAP, including the net impact, if any, on net assets as at [closing date] and on the change in net assets from operations for the financial year then ended. The significant differences between the “Accounting Policies” and US GAAP include:

20.1.1 Valuation of financial assets

20.1.2 Formation expenses

20.1.1 Valuation of financial assets

Under US GAAP, fair value is a market-based measurement, not an entity-specific one. For some assets and liabilities, observable market transactions or market information might be available. For others, observable market transactions and market information might not be available. However, the objective of fair value measurement in both cases is the same — to estimate the price at which an orderly transaction to sell the asset, or transfer the liability, would take place between market participants at the measurement date, under current market conditions. The discussed valuation methods that management uses to determine the fair value of its investments are market-based and they also take into account peer information from similar businesses in the same or similar markets. As such, the valuation methods and resulting fair values as at [closing date] are in line as per US GAAP requirements.

20.1.2 Formation expenses

Formation expenses are expensed as incurred under US GAAP, whereas they are capitalized and amortized over five years under the Accounting Policies.

The amount of EUR[X] (USD[X]) corresponds to the remaining formation expenses as at [closing date].

The following reconciliation aligns reporting under the Accounting Policies with US GAAP for these items:

	Accounting Policies EUR	Reconciliation items EUR	US GAAP EUR
Total net assets, beginning of year			
Profit or loss for the financial year			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(20) Additional information based on United States Generally Accepted Accounting Principles (US GAAP) (continued)

20.2 Fair value measurements

The investments are initially recognized on trade date at cost. The original cost or the price of any subsequent capital increase is considered as an approximation of the fair value at the time of the transaction.

The investments are fair valued in accordance with the generally accepted valuation principles from the International Private Equity and Venture Capital Valuation (IPEV) Guidelines.

Fair value hierarchy

The Company's assets recorded at fair value have been categorized based on a fair value hierarchy as described in the Company's significant accounting policies in note 2(i). The following table presents information about the Company's assets measured at fair value as at [closing date]:

(in EUR) Investments, at fair value	Level 1	Level 2	Level 3	Total
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Guidance:

If applicable, a table shall be inserted to present the changes in assets classified in Level 3 of the fair value hierarchy for the year ended [closing date].

20.3. Financial highlights

Pursuant to US GAAP, non-public investment entities are required to disclose certain financial highlights relating to investment performance and operations.

Financial highlights for the year ended [closing date] are as follows:

The internal rate of return is computed based on the actual dates of cash inflows (capital contributions), outflows (cash distributions), and the net assets (residual value) as at [closing date], as at each measurement date. Net operational (loss)/income represents all operational income less total expenses from the profit and loss account and does not include carried interest.

Total internal rate of return (IRR)

From inception through closing date — prior year	%
From inception through closing date	%

Ratio to average net assets

Expenses	%
Net operational (loss)/income	%

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(20) Additional information based on United States Generally Accepted Accounting Principles (US GAAP) (continued)

Financial highlights are calculated for the aggregate of all share classes, excluding the carried shares, taken as a whole. An individual Shareholder's return and ratios may vary based on different management fees and carried interest arrangements and the timing of capital transactions. The ratios do not reflect the Company's proportionate share of the income and expenses from the underlying investments.

20.4. Statement of cash flows

Guidance:

The company is exempted from the preparation of a statement of cash flows if all of the following conditions are met:

1. During the financial year, substantially all of the company's investments were carried at fair value and classified as Level 1 or Level 2 measurements in accordance with Topic 820.
2. The company had little or no debt, based on the average debt outstanding during the period, in relation to average total assets.
3. The company provides a statement of changes in net assets.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(20) Additional information based on United States Generally Accepted Accounting Principles (US GAAP) (continued)

Statement of cash flows

for the year ended [closing date] (in EUR)

Cash flows from operating activities

Management fees paid

Other expenses

Other income

Contributions to investees

Distributions from investees

Net cash used in operating activities

Cash flows from investing activities

Purchase of investments

Proceeds from disposal of investments

Net cash used in investing activities

Cash flows from financing activities

Contributions received from investors

Distributions paid to investors

Other net cash movements from financing activities

Proceeds from loans and borrowings

Repayments of loans and borrowings

Net cash from financing activities

Net variation in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at [closing date]

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(21) Balance sheets and profit and loss accounts of the compartments of BLUE RISK CAPITAL S.C.A. SICAV-RAIF

The balance sheets and profit and loss accounts for the year ended [closing date] for each of the Compartments of BLUE RISK CAPITAL S.C.A. SICAV-RAIF are disclosed hereafter.

Balance sheet as at [closing date] (in EUR)

Compartment Light Blue

ASSETS	Notes	[Closing date]	[Prior year closing date]
B. Formation expenses	3		
C. Fixed assets			
I. Financial assets	4-5-18		
D. Current assets			
I. Debtors	6		
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
II. Investments			
III. Cash at bank and in hand			
E. Prepayments			
TOTAL (ASSETS)			

Guidance:

The annual accounts are filed online with the Trade and Companies Register (RCS). The eCDF platform has a built-in application control that prohibits the sections in the eCDF format from being modified or deleted. For illustrative purposes, we have only kept the sections which are usually relevant for funds.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(21) Balance sheets and profit and loss accounts of the compartments of BLUE RISK CAPITAL S.C.A. SICAV-RAIF (continued)

Balance sheet as at [closing date] (in EUR) (continued)

Compartment Light Blue

CAPITAL, RESERVES AND LIABILITIES

A. Capital and reserves	7
I. Subscribed capital	
II. Share premium account	
III. Reserves	
IV. Profit or loss brought forward	
V. Profit or loss for the financial year	
VI. Interim dividends	
B. Provisions	
C. Creditors	
a) becoming due and payable within one year	14
b) becoming due and payable after more than one year	15
D. Deferred income	
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	

Profit and loss account for the year ended [closing date] (in EUR)

Compartment Light Blue

	Notes	[Closing date]	[Prior year closing date]
1. to 5. Gross profit or loss	8		
7. Value adjustments	3		
a) in respect of formation expenses and of tangible and intangible fixed assets			
b) in respect of current assets			
8. Other operating expenses	9		
9. Income from participating interests	10		
a) derived from affiliated undertakings			
b) other income from participating interests			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(21) Balance sheets and profit and loss accounts of the compartments of BLUE RISK CAPITAL S.C.A. SICAV-RAIF (continued)

Profit and loss account for the year ended [closing date] (in EUR) (continued)

Compartment Light Blue

	Notes	[Closing date]	[Prior year closing date]
10. Income from other investments and loans forming part of the fixed assets	4-5-12		
a) derived from affiliated undertakings			
b) other income not included			
11. Other interest receivable and similar income	11		
a) derived from affiliated undertakings			
b) other interest and similar income			
13. Value adjustments in respect of financial assets and of investments held as current assets	18		
14. Interest payable and similar expenses			
a) concerning affiliated undertakings	14		
b) other interest and similar expenses			
15. Tax on profit or loss	16		
16. Profit or loss after taxation			
17. Other taxes not shown under items 1 to 16	16		
18. Profit or loss for the financial year			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(21) Balance sheets and profit and loss accounts of the compartments of BLUE RISK CAPITAL S.C.A. SICAV-RAIF (continued)

Balance sheet as at [closing date] (in EUR)

Compartment Dark Blue

ASSETS	Notes	[Closing date]	[Prior year closing date]
B. Formation expenses	3		
C. Fixed assets			
I. Financial assets	4-5-18		
D. Current assets			
I. Debtors	6		
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
II. Investments			
III. Cash at bank and in hand			
E. Prepayments			
TOTAL (ASSETS)			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(21) Balance sheets and profit and loss accounts of the compartments of BLUE RISK CAPITAL S.C.A. SICAV-RAIF (continued)

Balance sheet as at [closing date] (in EUR) (continued)

Compartment Dark Blue

CAPITAL, RESERVES AND LIABILITIES

A. Capital and reserves 7

- I. Subscribed capital
- II. Share premium account
- III. Reserves
- IV. Profit or loss brought forward
- V. Profit or loss for the financial year
- VI. Interim dividends

B. Provisions

C. Creditors

- a) becoming due and payable within one year 14
- b) becoming due and payable after more than one year 15

D. Deferred income

TOTAL (CAPITAL, RESERVES AND LIABILITIES)

Profit and loss account for the year ended [closing date] (in EUR)

Compartment Dark Blue

	Notes	[Closing date]	[Prior year closing date]
1. to 5. Gross profit or loss	8		
7. Value adjustments	3		
a) in respect of formation expenses and of tangible and intangible fixed assets			
b) in respect of current assets			
8. Other operating expenses	9		
9. Income from participating interests	10		
a) derived from affiliated undertakings			
b) other income from participating interests			

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Notes to the annual accounts as at (closing date) (Continued)

(21) Balance sheets and profit and loss accounts of the compartments of BLUE RISK CAPITAL S.C.A. SICAV-RAIF (continued)

Profit and loss account for the year ended [closing date] (in EUR) (continued)

Compartment Dark Blue

10. Income from other investments and loans forming part of the fixed assets	4-5-12
a) derived from affiliated undertakings	
b) other income not included	
11. Other interest receivable and similar income	11
a) derived from affiliated undertakings	
b) other interest and similar income	
13. Value adjustments in respect of financial assets and of investments held as current assets	18
14. Interest payable and similar expenses	
a) concerning affiliated undertakings	14
b) other interest and similar expenses	
15. Tax on profit or loss	16
16. Profit or loss after taxation	
17. Other taxes not shown under items 1 to 16	16
18. Profit or loss for the financial year	

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Appendix I AIFMD disclosures (unaudited)

Explanatory note:

Articles 20(2) and 21 of the AIFM Law require AIFs to report on specific disclosures.

For remuneration disclosures in particular, the annual report must contain at least the following:

- a. the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries and, where relevant, carried interest paid by the AIF
- b. the aggregate amount of remuneration broken down by senior management and members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.

The implications of the AIFMD on the RAIF must be assessed on a case-by-case basis.

In its Q&A related to remuneration (last updated 5 October 2017), ESMA clarifies that remuneration-related disclosure requirements under Article 22(2)(e) of the AIFMD also apply to delegates. It further clarifies that the information prescribed by Article 22(2)(e) and (f) should be included in the annual report.

Guidance:

Tailor to the specificities of your entity.

The disclosure required under the AIFM Law can either be included in the activity report or in an unaudited appendix to the annual report.

The remuneration policy has been included in this appendix.

Please refer to the ALFI guidance document on reporting to investors and annual reports under the AIFMD for further guidance on market practice for reporting on AIFMD-required disclosures.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Appendix I AIFMD disclosures (unaudited) (continued)

Remuneration policy

The AIFM has established and applies a remuneration policy and practices (“the Remuneration Policy”) that are consistent with, and promote, sound and effective risk management, and that neither encourage risk-taking which is inconsistent with the risk profiles, rules, the Prospectus or the Articles nor impair compliance with the AIFM’s obligation to act in the best interest of the RAIF.

The Remuneration Policy includes fixed and variable components of salaries and applies to these categories of staff: senior management; risk-takers; control functions; and any employee receiving total remuneration that falls within the remuneration bracket of senior management and risk-takers and whose professional activities have a material impact on the risk profiles of the AIFM, the Company or the Compartments. Within the AIFM, these categories of staff represent [X] persons.

The Remuneration Policy is in line with the business strategy, objectives, values and interests of the AIFM, the Company and the Shareholders and includes measures to avoid conflicts of interest.

In particular, the Remuneration Policy will ensure that:

- a) staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- b) the fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component;
- c) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

The following table shows the fixed and variable remuneration in the year to [closing date] for the identified staff ([X] persons), who were fully or partly involved in the activities of all the funds managed by the AIFM.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Appendix I

AIFMD disclosures (unaudited) (continued)

Staff expenses split into fixed and variable remuneration

Wages and salaries

Staff code	Fixed remuneration EUR	Variable remuneration EUR	Total EUR
S			
R			
C			
O			

S = Senior management

R = risk-takers, including staff members whose professional activities can exert material influence on AIFs managed by the AIFM

C = staff engaged in control functions (other than senior management) who are responsible for risk management, compliance, internal audit and similar functions

O = any other staff member receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, and whose professional activities have a material impact on the AIFM's risk profile

A paper copy of the summarized Remuneration Policy is available free of charge to the Shareholders upon request.

No material changes have been made to the Remuneration Policy.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Appendix I AIFMD disclosures (unaudited) (continued)

Risk management

Explanatory note:

Article 20(2d) of the AIFM Law

The annual report shall disclose any material changes in risk management during the financial year to which the report refers.

Article 21(4c) of the AIFM Law

This requires that the AIFM disclose the current risk profile of the AIF, and the risk management systems it employs to manage those risks.

Guidance:

Tailor to the specificities of your entity.

The disclosure required under the AIFM Law can either be included in the activity report or in an unaudited appendix to the annual report.

Please refer to the ALFI guidance document on reporting to investors and annual reports under the AIFMD for further guidance on market practice for reporting on AIFMD-required disclosures.

Investment in the RAIF involves a significant degree of risk.

There can be no assurance that the RAIF's investment objective will be achieved, that any appreciation in the value of investments will occur or that there will be a return of capital. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the RAIF.

The main categories of risk to which the RAIF is or might reasonably be expected to be exposed include the following.

Market risk

The risk of loss resulting from fluctuation in the market value of positions in the RAIF attributable to changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's creditworthiness; and, as regards derivatives, through movements in markets for derivatives or the underlying asset, currency, reference rate or index to which a derivative relates.

This includes imperfect correlation between movements in the securities or currency on which a derivatives contract is based and movements in the related securities or currency in the RAIF. The market risk can be divided into interest rate risk and valuation risk.

a) Interest rate risk

The credit instruments invested may include variable, floating or fixed rates of interest as part of the overall return. The credit instruments with floating rates of interest expose the RAIF to interest rate risk by virtue of fluctuations in the value of the RAIF's investment portfolio, which is recorded at fair value. At [closing date], the portfolio is funded by capital contributions. The RAIF is susceptible to changes in base rates, which could impact the investment income due to floating rates.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Appendix I

AIFMD disclosures (unaudited) (continued)

Interest rate sensitivity as at [closing date]:

	Up to 3 months	3 months to 1 year	More than 1 year	Non-interest bearing or fixed rate	Total EUR
	EUR	EUR	EUR	EUR	EUR
Assets					
Financial assets					
Debtors					
Cash at bank and in hand					
Liabilities					
Creditors					
Total interest rate sensitivity gap					

b) Valuation risk

Valuation risk is the financial risk that the RAIF's unquoted securities, valued as at [closing date] at EUR[X], are overvalued and worth less than expected on maturity or disposal. Factors contributing to valuation risk can include incomplete data, market instability, financial modeling uncertainties and poor data analysis. The AIFM considers the appropriateness of the valuation model inputs, as well as the valuation result, using various valuation methods and techniques generally recognized as standard within the industry.

Credit/counterparty risk

Credit risk is the risk of loss resulting from the possibility that a counterparty to a transaction may default on its obligations prior to the final settlement of the transaction's cash flow. For derivative instruments which are transacted over the counter on a bilateral basis there is a direct exposure to the counterparty.

The AIFM has a disciplined investment policy such that all investments presented to the General Partner have been through a structured and rigorous due diligence process. Once approved by the AIFM, those investments are passed to the General Partner for consideration and, if appropriate, investment is made.

Once invested, the reference entities in the portfolio transaction investments are regularly monitored by the investment team and Investment Committee. The AIFM monitors the credit ratings assigned to each reference entity and reference obligation via a variety of institutions including credit rating agencies and bank counterparties, when available. The AIFM also monitors probabilities of default and loss given default for each reference obligation, based on a variety of sources, including observed market prices, bank counterparties' ratings or disclosures, credit rating agencies' statistics, or the RAIF's current and forecast performance, when available. The AIFM reviews the risk of the investments held by the RAIF. The RAIF has credit exposures to assets across the whole credit spectrum, from high-grade to non-investment grade.

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Appendix I AIFMD disclosures (unaudited) (continued)

The following table sets out the RAIF's exposure to credit risk arising through the reference obligation entities at the reporting date. The AIFM rates the reference obligations and maps them to Standard & Poor's risk-rating scales for reporting purposes.

Exposure to credit risk by Standard & Poor's rating	[Closing date]
AA rating	%
A rating	%
BBB rating	%
BB rating	%
B rating	%
CCC rating	%
CCC & below rating	%
NR	%
Total investments	100%

The AIFM regularly reviews its large counterparty exposures, monitoring several sources of information on counterparties' credit quality, including credit ratings, public financial statements and disclosures and observed market prices of credit obligations, when available, and taking into account the terms and conditions of the exposure to the counterparty, any regulation applicable and any structural mitigant, among other factors.

Exposure to credit risk by asset type	[Closing date] EUR
Financial assets	
Debtors	
Cash at bank and in hand	
Total	

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

Appendix I

AIFMD disclosures (unaudited) (continued)

Liquidity risk

Liquidity risk is the risk that a position in the RAIF's portfolio cannot be sold, liquidated or closed at limited cost in an appropriate time frame and that the ability of the RAIF to meet its settlement obligations is thereby compromised.

The table below details the RAIF's liabilities by relevant maturity funding, based on the remaining period, at the statement of financial position date, to the contractual maturity date. The amounts disclosed are the net contractual cash flows.

Liabilities by maturity	Remaining period to contractual maturity date			
	Less than 1 year	1 to 5 years	More than 5 years	Total
	EUR	EUR	EUR	EUR
Creditors				

The RAIF is funded by contractual commitments from Limited Shareholders which are drawn as funds are required. The AIFM regularly monitors the amount of undrawn commitments against the RAIF's outstanding investment portfolio requirements and financial liabilities.

Leverage

Subject to the applicable restrictions of the private placement memorandum, the RAIF may apply leverage to its portfolio by utilizing: financial gearing, such as bank borrowing and overdrafts; synthetic gearing through derivatives and/or other non-fully funded instruments; or techniques for efficient portfolio management purposes such as stock lending. Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as margin against the current mark-to-market value of the derivative contract. As a result, and depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in a loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the RAIF through non-fully funded exposure to underlying markets or securities. The maximum amount of asset-backed leverage that the RAIF or a wholly owned subsidiary may incur on a recourse basis would not exceed [x]% of the RAIF's total commitments at the time such leverage is incurred.

Concentration risk

RAIFs which invest in a narrow range of stocks or collective investment schemes, or in specialized sectors, may be more volatile than more broadly diversified funds. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In order to mitigate excessive concentration of risk, the General Partner monitors the RAIF's exposure to ensure concentrations of risk remain within acceptable levels (including having consideration for levels stipulated in the AIFM Agreement) and either reduces exposure or may use derivative instruments to manage the excessive risk concentrations when they arise.

Annex I

BLUE RISK CAPITAL S.C.A. SICAV-RAIF

**Agreed-upon procedures report
on investment in risk capital**

To the General Partner of
 BLUE RISK CAPITAL S.C.A. SICAV-RAIF
 2, rue de l'Investissement
 L-1234 Luxembourg
 Grand Duchy of Luxembourg

Report of factual findings

We have performed the procedures agreed with you and enumerated below with respect to the requirements of Article 48 paragraph (1) letter b) of the Law of 23 July 2016 on reserved alternative investment funds regarding BLUE RISK CAPITAL S.C.A. SICAV-RAIF's ("the RAIF") compliance with the policy of investing in risk capital for the financial year ending [closing date].

Our engagement was undertaken in accordance with International Standard on Related Services (ISRS) 4400, "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information", published by the International Federation of Accountants (IFAC) and applicable to agreed-upon procedures engagements, as adopted for Luxembourg by the Institut des Réviseurs d'Entreprises (hereafter "IRE").

The procedures were performed solely to assist you and the Administration des Contributions Directes in meeting the requirements of Article 48 paragraph (1) letter b) of the Law of 23 July 2016 on reserved alternative investment funds regarding compliance with the policy of investing in risk capital for the financial year ending [closing date] and are summarized as follows:

1. Obtain from the Board of Managers of the General Partner of the RAIF the articles of incorporation of the RAIF and check that its exclusive purpose is the investment of its funds in assets representing risk capital ("risk capital investment(s)").
2. Obtain from the Board of Managers of the General Partner of the RAIF the list of investments held by the RAIF as at [closing date] and the list of disinvestments made during the then year ended, including a description justifying the eligibility of each risk capital investment ("the Descriptive list").
3. From the RAIF's Administrator, obtain the accounting documents of the net asset value (NAV) of the RAIF (such as balance sheet and profit and loss accounts) as at [closing date]. Compare the amounts in the Descriptive list with the information as per the accounting documents in order to check the completeness and accuracy of the information included in the Descriptive list.
4. For each investment in the Descriptive list, the investments held by the RAIF as at [closing date] and each disinvestment made during the year then ended:
 - a. Obtain from the Board of Managers of the General Partner of the RAIF its description and its analysis justifying the eligibility of each risk capital investment;
 - b. Check the consistency of the description and analysis of each investment in point 4 a) above with the information provided to us by the Board of Managers of the General Partner of the RAIF;
 - c. Check that the elements indicated in the description and analysis justifying the eligibility of each risk capital investment are not in contradiction with the concept of "risk capital" as described in Circular 06/241 issued by the Commission de Surveillance du Secteur Financier ("the CSSF"). As mentioned in CSSF Circular 06/241, the relevant assessment criteria are: a high risk, the concept of development (value creation and/or active intervention in the management), and a holding duration including an exit strategy.

The procedures enumerated in point 4 above are applicable for all investments held or having been held by the RAIF, as indicated in the Descriptive list.

1. We report our findings below in relation to Procedure 1 above:
We found no evidence that the exclusive purpose of the RAIF is not the investment of its funds in assets representing risk capital.
2. We report our findings below in relation to Procedure 2 above:
The Descriptive list will be attached as Appendix 1 to this letter.
3. We report our findings below in relation to Procedure 3 above:
We did not identify any inconsistency between the information in the Descriptive list and the information as per the accounting documents.
4. We report our findings below in relation to Procedure 4 above:
 - a. We obtained from the Board of Managers of the General Partner of the RAIF its description and its analysis justifying the eligibility of each risk capital investment. This information will be attached as Appendix 2.
 - b. In the description and analysis of the Board of Managers of the General Partner of the RAIF justifying the eligibility of each risk capital investment, we did not identify any element being inconsistent with the information provided to us by the Board of Managers of the General Partner of the RAIF.
 - c. In the description and analysis of the Board of Managers of the General Partner of the RAIF justifying the eligibility of each risk capital investment, we did not identify any element being in contradiction with the concept of "risk capital" as described in Circular 06/241 issued by the CSSF.

Because the above procedures do not constitute an audit made in accordance with International Standards on Auditing as adopted for Luxembourg by the CSSF, or a review made in accordance with International Standards on Review Engagements as adopted for Luxembourg by the IRE, we do not express any assurance on the Descriptive list.

Had we performed additional procedures or had we performed an audit in accordance with International Standards on Auditing as adopted for Luxembourg by the CSSF, or a review in accordance with International Standards on Review Engagements as adopted for Luxembourg by the IRE, other matters might have come to our attention that would have been reported to you.

The procedures performed as described above are based on the information provided to us by the Board of Managers of the General Partner of the Fund and available at the date of our report. This report relates only to the procedures specified above and does not extend to any net asset values or to any balance of the annual accounts and/or to the annual accounts of the Fund taken as a whole.

Our report is solely for the purpose set forth in the third paragraph of this report and for your information and the information of the Administration des Contributions Directes in the context of Article 48 paragraph (1) letter b) of the Law of 23 July 2016 on reserved alternative investment funds and is not to be used for any other purpose or to be distributed to any other parties.

We shall in no case be held responsible for any claims, liabilities, losses, damages or expenses incurred against or by the Fund, resulting from our report.

Luxembourg, [Date of the auditor's report]

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Partner/Associate Partner

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I Recent publications



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