

Acquisition Strategy and Investment Policy

Capitalised terms used in this document shall have the meaning given to them in the prospectus published on 28 September 2021 by Petershill Partners plc (the “Company”) in connection with its initial public offering (the “Prospectus”).

The Company seeks to make growth capital investments in the general partnerships of alternative asset management businesses (“**Partner-firms**”, with such stakes in Partner-firms being referred to as “**Alternative Asset Manager Stakes**”). The Company’s structured investments represent non-controlling ownership positions in such Partner-firms in which the Company has an Alternative Asset Manager Stake.

The Company seeks to invest in Alternative Asset Manager Stakes primarily across the following four asset classes: private equity, private real assets (including real estate, infrastructure and natural resources), absolute return strategies invested principally in publicly-traded securities, and private credit (the “**Segments**”). The Company may also invest in adjacent businesses that involve investment management, including traditional asset management firms, wealth managers and insurance businesses. As part of partnering with the Partner-firms, the Company may be required, or choose, to invest in funds and products that are managed by Partner-firms in which it holds an Alternative Asset Manager Stake. The amount the Company invests in the Partner-firms’ funds and products will typically be significantly less than the amounts the Company invests in Alternative Asset Manager Stakes. The investment restrictions set out in this policy support the Company’s objective of spreading investment risk by limiting the Company’s ability to invest in individual Partner-firms and in the funds and products that are managed by those Partner-firms in which the Company has an Alternative Asset Manager Stake.

The Company targets well-established alternative asset managers with a track record of strong performance and meaningful cash flow generation which are well-positioned to develop their business across future fund and product offerings. The Company’s portfolio will comprise investments in Partner-firms globally, with a primary focus on North America and Europe, and a lesser focus on Asia. The geographic scope and asset class focus will evolve according to the investment opportunities identified. The Company expects to ensure that at least 30 per cent. of annual Partner FRE is derived from investments in Partner-firms which primarily manage or advise on investments in assets in North America. The Company’s initial investment into any one Partner-firm will typically range from US\$10 million to US\$400 million, although secondary transactions involving a portfolio or number of different stakes may cause the resulting aggregate investment to be larger than this.

The Company will seek to spread Alternative Asset Manager Stake investments by Segment in order to ensure it has a diverse portfolio.

The Company’s investments in Partner-firms will typically take the form of unlisted ordinary equity and partnership interests (but may also take other forms, including unlisted preferred equity and unlisted debt investments). What form an investment takes will be determined by the Operator and will be the form that, in its reasonable opinion, is the most appropriate for the investment in question. As a result of realisations from the funds managed by Partner-firms, as well as the Partner-firms themselves, the Company may hold shares in listed businesses, which would typically be on a temporary basis.

From time to time a portion of the Company’s assets may be held in the form of cash. Pending the identification of new investment opportunities by the Operator, and the application of some or all of that cash as part of any such investment or for working capital purposes, it may be invested in cash deposits, cash equivalents or investments including, but not limited to, gilts, money market funds, government securities and/or other investment grade securities. Investment ratings shall be “AA” rated or higher and the duration of any investment shall not exceed two years at the time of purchase. There is no limit on the amount of cash that the Company may, from time to time, hold in cash, cash deposits and/or cash equivalents and investments. No more than 20 per cent. of the Company’s gross assets will be invested in any single money market fund or deposited in any single bank. Excluding U.S. Government investments, investments in money markets and investments in Partner-firms, no more than 5% of gross assets will be invested in any single issuer at the time of purchase.

The Company may from time to time (but shall not be required to) enter into hedging or other derivative arrangements which are, in the reasonable opinion of the Operator, considered appropriate for the purposes of efficient portfolio management (including without limitation for interest rate hedging purposes) and managing investment exposures.

The Company will not conduct a trading activity which is significant in the context of the Company and its investments as a whole.

Investment restrictions

Investments will be selected with a view to diversifying risk. In addition, the Company will invest and manage its assets in compliance with the restrictions set out below, also with the object of spreading investment risk:

- The Company will only make an investment in a Partner-firm if such Partner-firm will contribute no more than 20 per cent. of annual Partner FRE measured in reference to the 12-month period ended on the latest practicable date prior the date of the investment. Shareholders should note that such Partner FRE data will be unaudited. For the avoidance of doubt, the limits in this paragraph exclude any investment in a fund or product that is managed or advised on by such Partner-firm and any returns from any such fund or product.
- The Company will only make an additional investment in a Partner-firm that is already within the Company's portfolio if such Partner-firm will contribute no more than 20 per cent. of annual Partner FRE measured in reference to the 12-month period ended on the latest practicable date prior the date of the additional investment. Shareholders should note that such Partner FRE data will be unaudited. For the avoidance of doubt, the limits in this paragraph exclude any investment in a fund or product that is managed or advised on by such Partner-firm and any returns from any such fund or product.
- The Company will ensure that no investment will be made in a fund or product managed or advised on by a Partner-firm unless the aggregate value of all such investments, including the amount proposed to be invested, is no more than 20 per cent. of the Company's gross assets, as shown in its most recently published balance sheet.
- The Company will invest in funds or products only if they are managed or advised on by a Partner-firm within the Company's portfolio.
- For so long as required by the Listing Rules, the Company will at all times seek to ensure that the Operator invests and manages its assets in a way which is consistent with the Company's object of spreading risk and in accordance with its Acquisition Strategy and Investment Policy

The above investment restrictions are measured at the time at which the Company makes the relevant investment. There will be no requirement to sell any investment (in whole or in part) to the extent subsequent changes to the Company's gross assets valuation result in any investment exceeding the limits set by the above restrictions. Where the Company holds its investments indirectly, including through one or more holding entities, the investment restrictions will be applied on a look-through basis.

Unfunded further payment commitments in respect of investments in Partner-firms or funds or products managed or advised on by a Partner-firm will be treated as forming part of the original investment and will not be considered an additional investment in the relevant Partner-firm or in the relevant funds or products for the purposes of any of the above investment restrictions.

Co-investment and co-financing

The Company may invest alongside Petershill IV, or other funds with a substantially similar investment policy which are managed or advised on by the Operator or any member of the Operator's group at the relevant time, but for the avoidance of doubt the Company will not be limited solely to such investments.

Borrowing policy and gearing

The Company may incur indebtedness (less available cash) of up to a maximum of three times the Company's Adjusted EBITDA as published in the Company's last financial statements, calculated at the time of drawdown, for the purposes of financing investments, share buybacks, general working capital purposes or any other purpose approved by the Board. Adjusted EBITDA will be defined as earnings before interest, tax, depreciation and amortisation, less net gain on investment transactions and non-recurring items.

Intra-group indebtedness will not be included for the purposes of calculating the Company's indebtedness. Any indebtedness of any holding entity through which the Company makes investments will not be included for the purposes of calculating the Company's indebtedness for so long as either: (a) the creditor of such indebtedness only has recourse to the assets of the holding entity and does not have recourse to the other assets of the Company or any of the Company's investments; or (b) that debt is owed to the Company or its subsidiaries.

The Company may borrow funds for general purposes, including to make investments, to leverage existing investments and to pay expenses and other obligations. Any such borrowings may be secured by the Company's investments (as described below under "*EU AIFMD Leverage Limit*"). The Company may, directly or indirectly, through wholly or partially owned subsidiaries of the Company (including an investment vehicle), or otherwise, incur indebtedness or enter into guarantees, provided that the Company complies with its Acquisition Strategy and Investment Policy. Credit facilities may be secured by the Company's assets.

The Company may also, subject to the overall limitations set out in this Acquisition Strategy and Investment Policy, guarantee or pledge its assets in support of or otherwise provide credit support (including by giving equity commitments) for the obligations of Partner-firms in which it is invested, which may be structured as a guarantee in full or by providing collateral or other credit support for the full value (and not just a pro rata portion) of the obligations of a Partner-firm.

EU AIFMD Leverage Limit

In accordance with its risk management function and the investment objectives of the Company, the Operator has set a maximum level of leverage which the Operator may employ on behalf of the Company. For the avoidance of doubt, this maximum level of leverage only applies at the level of the Company (including, where applicable, financial or legal structures involving third parties controlled by the Company and specifically set up to directly or indirectly increase leverage at the level of the Company). The methods used for the determination of the maximum level of leverage of the Company and the circumstances in which borrowings are treated as leverage for these purposes, are prescribed under EU AIFMD and are the gross method (as such term is defined in article 7 of the AIFMD Delegated Regulation) and the commitment method (as such term is defined in article 8 of the AIFMD Delegated Regulation). The Operator has determined that leverage, for this purpose and calculated in this manner, will not exceed 1,500 per cent. (expressed as percentage and calculated using the gross method of calculation) and 1,500 per cent. (expressed as percentage and calculated using the commitment method of calculation), other than if and to the extent that leverage for these purposes results from borrowings under revolving credit facilities on a short term basis to make investments pending the drawdown of (and covered by) capital commitments of Shareholders ("**Subscription Facility Borrowings**") which, due to the way in which such borrowings can impact the calculation of leverage for the purposes of the EU AIFMD, may be unlimited. Such limits should not be viewed as indicative of the amount of leverage that will be employed on behalf of the Company or as a target for the Company, and it may be that such leverage will be significantly lower in practice. Shareholders should note that in exceptional circumstances, the CBI may impose limits on the level of leverage (calculated in this manner) that the Operator is entitled to employ or other restrictions on the management of the Operator with respect to the Company.

Shareholders should note that the level of leverage as calculated under the gross method of calculation does not necessarily provide any reasonable illustration of the overall risk profile of the Company as financial derivative instruments and borrowing of cash or securities are used to manage risk as well as to seek return. This is largely due to the fact that the gross method simply aggregates the absolute sum of all long and short financial derivative instrument positions, even if they are for hedging or offsetting purposes, and further uses just notional values rather than measures that calculate the overall contributions to risk which will often explain why the leverage levels under this method appear high. Shareholders should also note that the incurrence of Subscription Facility Borrowings can lead to very high reported leverage levels for the purposes of the EU AIFMD, for reasons including the inability to include undrawn capital commitments in determining the net asset value of the Company for these purposes and the inability to exclude drawdowns under revolving facility agreements as 'temporary' in nature. Further details on the average leverage level will be disclosed in the Company's annual financial statements for the relevant accounting period.

Shareholders should not expect that the Operator can or will lend money to the Petershill Partners Group for the purposes of paying interest, financing, transaction and other costs or for any other purpose.

For the risks related to the Petershill Partners Group's incurrence of leverage, please see the risk factor entitled "*The Operator may cause the Petershill Partners Group to incur indebtedness pursuant to the Acquisition Strategy and Investment Policy*" in Part 1 (Risk Factors) of the Prospectus.

Changes to investment policy

The Company must at all times comply with its published investment policy. Whilst the Ordinary Shares are listed on the premium listing segment of the Official List of the FCA, no material change may be made to the Company's investment policy other than with the prior approval of both the Company's Shareholders and the FCA in accordance with the Listing Rules.