

Capital Four - Strategic Lending Fund K/S

**c/o CorpNordic
Sundkrogsgade 21
2100 København Ø**

CVR no. 36 90 16 67

Annual report for 2015

Adopted at the annual general meeting on 4 May 2016

Anders Solem
Chairman

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Statement by management on the annual report

Today, the board of directors has discussed and approved the annual report of Capital Four - Strategic Lending Fund K/S for the financial year 20 May - 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2015 and of the results of its operations for the financial year 20 May - 31 December 2015.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Copenhagen, 11 April 2016

Board of directors

Søren Søgaard
chairman

Joo Runge

Lone Sauer

Independent auditor's report

To the Shareholders of Capital Four - Strategic Lending Fund K/S

Report on the financial statements

We have audited the financial statements of Capital Four - Strategic Lending Fund K/S for the financial year 20 May - 31 December 2015, which comprise summary of accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

The management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the financial statement give a true and fair view of the company's financial position at 31 December 2015 and of the results of the company's operations for the financial year 20 May - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditor's report

Statement on management's review

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the management's review is consistent with the financial statements.

København, 11 April 2016

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no. 30 70 02 28

Anders Duedahl-Olesen
State Authorised Public Accountant

Rasmus Berntsen
State Authorised Public Accountant

Company details

The company

Capital Four - Strategic Lending Fund K/S
c/o CorpNordic
Sundkrogsgade 21
2100 København Ø

CVR no.: 36 90 16 67
Financial year: 20 May - 31 December
Incorporated: 20 May 2015
Domicile: København

Board of directors

Søren Søgaard, chairman
Joo Runge,
Lone Sauer

Auditors

Ernst & Young
Godkendt Revisionspartnerselskab
Osvald Helmuths Vej 4
2000 Frederiksberg

General meeting

The annual general meeting is held at the company's address on 4 May 2016.

Management's review

The Company's main activities

The Company's objective and investment strategy is to invest in a diversified portfolio of European sub-investment grade high yield bonds and loans, as well as to directly extend bilateral loans to Danish and Nordic borrowers, for the latter with a focus on subordinated lending. The strategy applies fundamental credit research and selection skills coupled with careful portfolio construction and risk management.

Development in activities and financial matters

The Company was incorporated and established on 20th May 2015 with a base capital of DKK 3, subsequently increased to t. DKK 1,000,000 on 22nd June 2015 by issuance of an equal amount of limited partnership interests, 1/3 from each of the Limited Partners. The proceeds of the issuance of the limited partnership interests were available, and the initial investments were made, 29th June 2015.

The portfolio has been successfully ramped-up since launch with all but 1.9% in cash balances being invested as of 31st December 2015.

The Company's return on investments, net of all costs and expenses, since inception through to 31st December 2015 was 1.03%, which compares favorably to the European Institutional Leveraged Loan market and European High Yield market which saw returns of positive 1.02% and negative 0.85%, respectively. As a result the return for the year is considered highly satisfactory, not least considering the ramp-up costs and cash drag, and reflects strong credit selection.

The 2016 pipeline for prospective direct lending investment is sound and spans transactions for small and medium sized corporates across multiple industries and deal sizes

The Company's income statement for the year ended 31 December 2015 shows a profit of t. DKK 10,372, and the balance sheet at 31 December 2015 shows equity of t. DKK 1,008,626.

Post balance sheet events

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

Accounting policies

The annual report of Capital Four - Strategic Lending Fund K/S for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B. The presentation of the financial statements is adjusted to the Company's special activities.

The annual report for 2015 is presented in thousand Danish kroner.

As 2015 is the Company's first reporting period, no comparatives are included.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company's and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company's and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Profit/loss on investment activities

Profit/loss on investment activities comprise realised and unrealised capital gains and losses on securities and derivative financial instruments, non-refundable share of dividend taxes as well as interest income and expenses on securities. Income and expenses are recognised in the income statement at the amounts relating to the financial year.

Other external expenses

Other external expenses include costs incurred during the year for fund management.

Financial income and expenses

Financial income and expenses include interests etc.

Balance sheet

Other receivables

Other receivables are measured at amortised cost.

Accounting policies

Cash

Cash is entered at nominal value.

Other securities and investments

Other securities and investments comprises high grade yield bonds and loans and are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

Liabilities

Other debts are measured at net realisable value.

Income statement 20 May - 31 December

	<u>Note</u>	<u>2015</u> t. DKK
Profit/loss on investment activities		14.185
Other external expenses		<u>-3.859</u>
Ordinary operating profit/loss		10.326
Financial costs		<u>46</u>
Net profit/loss for the year		<u><u>10.372</u></u>
Retained earnings		<u>10.372</u>
		<u><u>10.372</u></u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> t. DKK
Assets		
Other receivables		<u>16.520</u>
Receivables		<u>16.520</u>
Other securities and investments		<u>985.913</u>
Current asset investments		<u>985.913</u>
Cash		<u>128.635</u>
Current assets total		<u>1.131.068</u>
Assets total		<u><u>1.131.068</u></u>

Balance sheet at 31 December

	<u>Note</u>	<u>2015</u> t. DKK
Liabilities and equity		
Commitments		1.000.000
Retained earnings		<u>8.626</u>
Equity total	1	<u>1.008.626</u>
Other payables		<u>122.442</u>
Short-term debt		<u>122.442</u>
Debt total		<u>122.442</u>
Liabilities and equity total		<u><u>1.131.068</u></u>

Notes to the annual report

1 Commitments

	<u>Commitments</u>	<u>Retained earnings</u>	<u>Total</u>
Equity at 20 May 2015	1.000.000	-1.746	998.254
Net profit/loss for the year	0	10.372	10.372
Equity at 31 December 2015	<u>1.000.000</u>	<u>8.626</u>	<u>1.008.626</u>

The Limited Partnership's commitments is divided into limited partnership interest of DKK 1 or any multiple thereof.

The Company's share capital has been unchanged since the establishment.

Expenses related to the establishment amount to DKK 1,746 thousand.