

MORAVIA CAPITAL INVESTMENTS - NEWSFLASH MAY 2020

YOUR SPECIALIST FOR CUSTOMISED PRIVATE EQUITY FUND OF FUNDS FOR AFRICAN INSTITUTIONS

2020 HIGHLIGHTS

Q1 Net Asset Values remain strong with COVID impact not yet reflected



Resilient portfolio with companies weathering the COVID storm well



Only about 20% of Moravia's portfolio in high-impacted sectors



Substantial uncalled and uninvested capital available for attractive buying opportunities



Recalibration of investment strategy to capture sectors/ themes that will benefit most over the next decade



Our funds are in their early years of investing and no major exits were planned for 2020



IMPACT OF COVID-19 ON OUR PORTFOLIO

- When country lockdowns began in March 2020, our teams in Asia and Europe connected swiftly with our PE Fund Managers to assess the impact of economic disruption caused by COVID-19 and to understand what protection measures were taken by them.
- Our Funds are focused on; (a) preserving value; (b) finalizing deals in the last round of negotiations pre-COVID and (c) identifying/prioritizing future deals in essential sectors & industries that continue to thrive.
- Most businesses have strong balance sheets and Net Asset Values currently remain stable. The impact of COVID-19 will be visible in Q2 NAV's and we expect temporary declines of between 10-30% depending on industry. One of the great advantages of PE is that current NAV's are not representative for exit values expected in 4-5 years.
- Almost 80% of our invested capital is in low or medium impacted industries. As the portfolio is young, our fund managers have large reserves of capital available for future investment which presents immense value creation opportunities.

Moravia Private Equity FoF

| Industry exposure | % |
|--------------------------------------|---------------|
| Software | 18.0% |
| Healthcare | 16.0% |
| Consumer discretionary | 9.7% |
| Manufacturing | 8.7% |
| Logistics/ Transport | 6.9% |
| Industrials | 6.3% |
| Secondary Interest | 5.2% |
| Auto/ Auto ancillary | 4.9% |
| Financial Services | 3.2% |
| Packaging | 2.7% |
| Insurance | 2.7% |
| FinTech | 2.1% |
| Business Services | 2.1% |
| Consumer staples/ household products | 1.8% |
| Pharma | 1.6% |
| Healthcare Tech | 1.4% |
| Oil & Gas | 0.9% |
| Chemicals | 0.5% |
| Education | 0.4% |
| Telecom | 0.2% |
| Others | 4.4% |
| Total | 100.0% |

Risk Exposure by Industry



PRIVATE MARKETS IMPLICATIONS

Exits and Holding periods: Exits will be delayed and markets subdued across most asset classes, for some time. We expect to see holding periods increase as sellers hold on to assets in the current absence of a viable exit strategy and for better valuations.

Due-Diligence: Expect to see a focus on cash reserves, increased scrutiny on underwriting practices, disruption scenario planning and assessment of resilience. In addition, the importance of effective ESG business practices, and social impact returns will justifiably gain significance.

Deal flow: Following a steep contraction over the short term, as financial markets stabilize and the business casualties of COVID-19 emerge, we anticipate a strong deal pipeline. With corporate and strategic buyers holding onto their cash, Private Equity funds with cash reserves are well-positioned to buy attractive assets.

Secondary Markets: There are high levels of dry powder waiting for deployment from secondaries investors, who aim to capture above-average appreciation by taking advantage of significant discounts to NAV's. Likely to be prominent in 2021.

Returns: Lower in the short term, but following difficult crises, in the past strong PE managers have taken advantage of market turbulences and generated exceptionally high returns. Subdued valuations combined with real value creation opportunities following COVID-19 should create similar high return conditions.

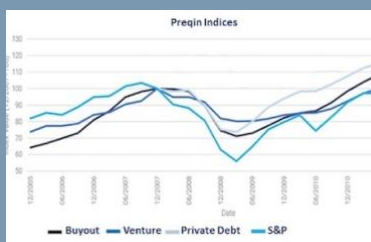
WHY PRIVATE EQUITY NOW?

During the GFC of 2007/08 the dip in private markets was far less severe than in public markets

Private markets down: ~30%
Public markets down: ~50%



Rebound in valuations was quicker + stronger in Private than in Public markets



Private Markets outperform over the long-term

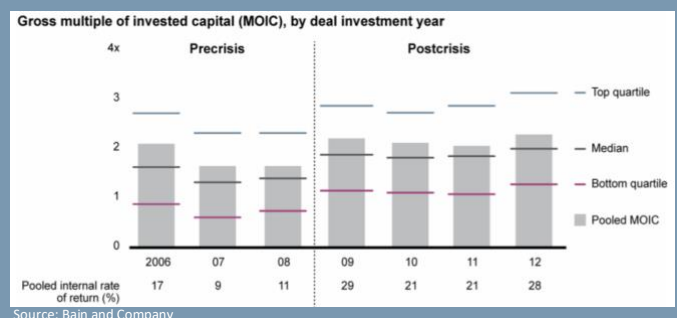


OPPORTUNITIES AHEAD OF US

- An increasing number of companies and economic sectors are under severe pressure. Even if healthy and well-capitalized before COVID-19, today is a different story and there will be significant fallout. This presents valuable investment opportunities for Private Equity capital, which is more than just cash. Active managers provide meaningful guidance and active value creation.
- Private Equity can play an important role to spur growth in the wider economic recovery. Managers are not constrained and can react quickly to identify key issues and implement solutions, working on the ground with companies that would otherwise sink, potentially preserving jobs, restructuring debt, and helping lead companies through these next few critical months.
- In 2019 over ¾ of deals were leveraged > 6 x gross earning. With bank financing in retreat, different types of financing will fill the gap. PE, bridge finance, distressed and private debt, will provide much needed liquidity and investment.
- During the global financial recession of 2007/08, the firms and investors that pulled back from investing and hesitated for too long missed out on the wave of opportunities that came after. Those Private Equity managers that stood firm, navigated the challenges, and continued to invest made significant returns for their investors, and the lessons have not been forgotten.
- Our experience shows that the double-digit annual returns, expected in the next few years because of COVID-19, by best in class fund managers - depends on what they do in the next 6 to 18 months. For funds that have capital available and strong deal sourcing and value creation capacity, they can play a vital role in economic recovery while generating much needed returns for their investors.

IRRs and Money Multiple returns after the GFC in 2007/2008 were substantially higher.

The dispersion between Median and Top Quartile returns is significant, illustrating that the right manager selection is always key.



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With large parts of the world still in various stages of lockdown, there remains much uncertainty surrounding the long-term implications of the COVID-19 crisis. But it is a fact that the economic repercussions will be felt deeply. At Moravia Investments we believe that Private Capital plays a significant role in economic recovery and that the best course of action for us is to keep doing what we have always done for our clients – maintain a steady pace of investing in best-in-class Private Equity funds that can generate long-term high returns in these challenging times.