FELICITAS GLOBAL PARTNERS

NAV OR NEVER

MODELING LP RETURNS WITH AND WITHOUT A NAV LOAN

MARCH 2025

About Felicitas Global Partners, LLC ("FGP"): *FGP is a private credit investment firm that manages investment funds focused on NAV Lending, Credit Secondaries, and other structured investment solutions. FGP has offices in Pasadena, California, and Toronto, Canada and manages approximately US$867 million in AUM as of December 31, 2024.*

INTRODUCTION

After recently attending the Fund Finance Conference in Miami, we thought it would be the perfect time to revisit one of the most hotly debated topics in private equity: Net Asset Value ("NAV") Loans. NAV Loans are effectively subordinated loans collateralized by a private markets fund or a portfolio subset, rather than a lender issuing financing directly to a company, with the borrower typically being the fund itself. The NAV lending industry is growing incredibly fast: In 2023, transaction volume was $44 billion with expectations of it reaching $70+ billion in 2025, according to 17Capital, one of the industry's leaders - so despite their controversial nature, there is room for significant growth.

In our view, many of the loudest critics behind the use of NAV Loans are typically Limited Partners ("LPs") in leveraged buyout funds. Historically, many buyout funds have returned significant amounts of investor capital through dividend recapitalizations. This involves re-levering businesses that funds already own and using the resulting debt proceeds to issue distributions to LPs. This re-levering approach is nothing different from issuing a NAV Loan for a distribution, the difference being a NAV Loan is typically levered at the fund-level, whereas a dividend-recap is levered at the company-level. Both tools have been around for decades and have their benefits and drawbacks.

Further, LPs are typically fine investing with buyout managers who acquire companies using 50%+ leverage. Yet, when the same managers, now five years into owning these companies, with full financial data at their disposal and potentially less company-level leverage, seek a NAV Loan, it becomes a point of contention. From what we have seen, NAV Loans can often provide cheaper financing than levering a single company due to most lenders taking greater comfort in a diversified portfolio as collateral. However, many LPs dislike looking at their fund's financial statements and seeing a debt-liability. Debt is often conveniently hidden from LPs when General Partners ("GPs") opt to lever at the company-level, and it is in our view, one of the main reasons why there is so much controversy around NAV Loans: debt is now plainly visible to investors.

So, do NAV Loans add or subtract value for LPs? Let us break down the math on it by reviewing the following throughout this paper:

1. The three common use cases of NAV Loans.
2. A modeled example of a NAV Loan and how it affects an LP's return.
3. A scenario analysis of the three common uses cases for NAV Loans, analyzing the impact on fund returns under different asset performance conditions.
4. Why GPs are choosing NAV Loans over a single company loan.

By the end, we hope to offer a clear, data-driven perspective on whether NAV Loans deserve their controversial reputation – or whether LPs should reconsider their stance.

THREE COMMON USE CASES OF NAV LOANS

Below is a quick overview of the three main use cases for NAV Loans:

1. **Growing Portfolio Financing:** A portfolio (or company in the portfolio) is performing exceptionally well and the GP sees more upside with more investment. This can be seen as a non-dilutive alternative to a Continuation Vehicle ("CV"). Instead of a CV, the fund takes proceeds from a NAV Loan, injects capital into the portfolio (or company), and all LPs experience a non-dilutive upside.
2. **Rescue Financing:** A portfolio company is in trouble. It might go to zero unless the GP or another group provides it with capital. If the GP has remaining commitments in the fund, they can use that cash to deploy rescue financing, but if not, they either (a) let the company fail, which greatly affects fund returns, or (b) raise emergency financing, which is expensive. A NAV Loan could be the best option. It is secured against multiple assets rather than just the struggling company, making it cheaper than, say, single-asset mezzanine debt.
3. **Fund Distribution Recapitalization:** Taking out a loan to fund a distribution to LPs. As everyone knows, private equity managers have been engaging in dividend recaps since the 1980s to return capital to investors to avoid having to sell assets too early. As mentioned above, NAV Loans allow private equity managers to do the same thing, but at the fund level rather than the company level. If done well, it can be accretive to IRR (we will see why later), because a well-timed distribution improves LP cash flow while the portfolio keeps compounding in value.

NAV LOAN WALKTHROUGH AND COMPARISON

First, we will compare a fund that uses a NAV Loan to one that does not. To illustrate this, we will focus on the first use case we discussed in the above section: a NAV Loan for a growing portfolio company. For simplicity, we will exclude carry and performance fees from this walkthrough to keep the focus on the core impact of the NAV Loan.

Basic Scenario:

- A mid-market buyout GP is seeking a NAV Loan to re-invest in their first portfolio company (Company 1).
- All companies in the portfolio have performed well, generating a 17% IRR. Company 1 is performing exceptionally well at a 20% IRR. The GP expects this strong growth to continue until they sell it.
- Each company in the portfolio has a 5-year holding period except for Company 1. The GP expects to extend its holding period by an additional 5 years, selling it at Year 10 of the fund's life.
- The fund holds 5 companies, with one acquired per year, starting with Company 1 in Year 0. *While we know a 5-company portfolio is not realistic for a buyout fund, we wanted to use a very simple example.*
- The terms of the loan are detailed on the next page.

Terms:

Collateral and Loan Size	Entry Collateral Value	$850m
	Loan Size	$100m
	Post-Loan Collateral Value	$950m
	Entry Loan-to-Value (Fund LTV)	11% *(Loan Size / Post-Loan Collateral Value)*
Payment and Interest Terms	Interest	13% Paid-In-Kind ("PIK") interest compounded yearly. *Note: this is more expensive than a straightforward NAV Loan. Straight forward NAV Loans can range from SOFR+350 to SOFR+650)*
	Cash Sweep Terms	Year 1 & 2: 25% of all fund distributions are swept to the lender Year 3 Onwards: 100% of all fund distributions are swept to the lender
	Minimum Multiple	None

Difference in Scenarios: In the scenario of using a NAV Loan, a $100m reinvestment is made into Company 1 in Year 5. In the scenario of not using a NAV Loan, there is no reinvestment. All growth rates, holding periods, entries and exits, and MoICs are the same. See below for the portfolio investment metrics schedule.

Portfolio Investment Metrics Schedule:

Company	Invested	Realized	MoIC	IRR	Entry	Hold	Exit
Company 1	$100m	$619m	6.2x	20%	Y0	10Y	Y10
Company 2	$100m	$219m	2.2x	17%	Y1	5Y	Y6
Company 3	$100m	$219m	2.2x	17%	Y2	5Y	Y7
Company 4	$100m	$219m	2.2x	17%	Y3	5Y	Y8
Company 5	$100m	$219m	2.2x	17%	Y4	5Y	Y9
Reinvestment in Company 1*	$100m	$249m	2.5x	20%	Y5	5Y	Y10

**Only added in the levered (NAV Loan) scenario*

Approach and Models:

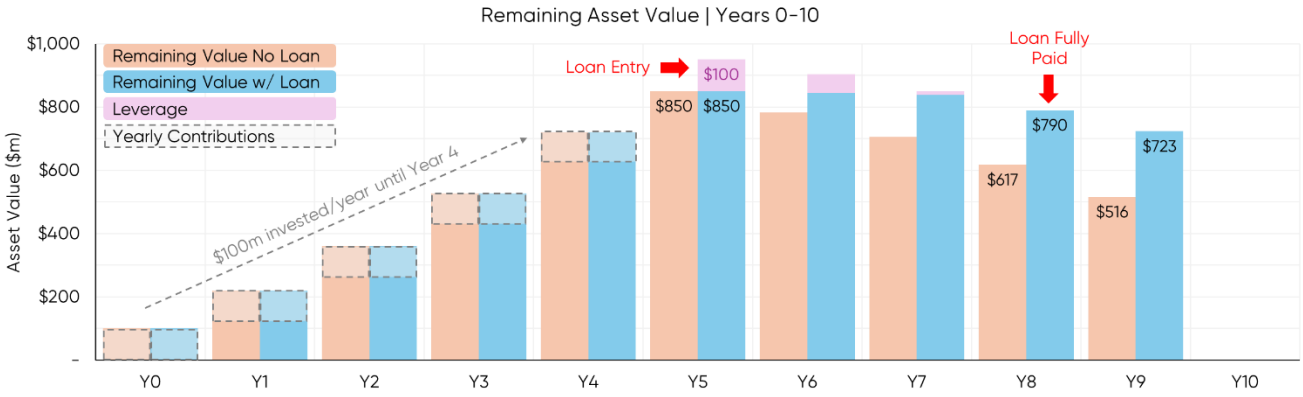
In the next section, we will use charts to display and discuss the data for the levered (fund using a NAV Loan) and unlevered (fund not using a NAV Loan) scenarios. Refer to the Appendix on pages 13 and 14 for the summary models the charts in the following section are based on.

The remainder of the page is intentionally left blank.

Scenario Comparison Charts

Below, we have provided a side-by-side comparison of the unlevered vs. levered scenarios. These charts are directly based on the summary model figures presented in the Appendix as well as the assumptions listed in the previous section.

NAV Loan Entry and NAV Over Time

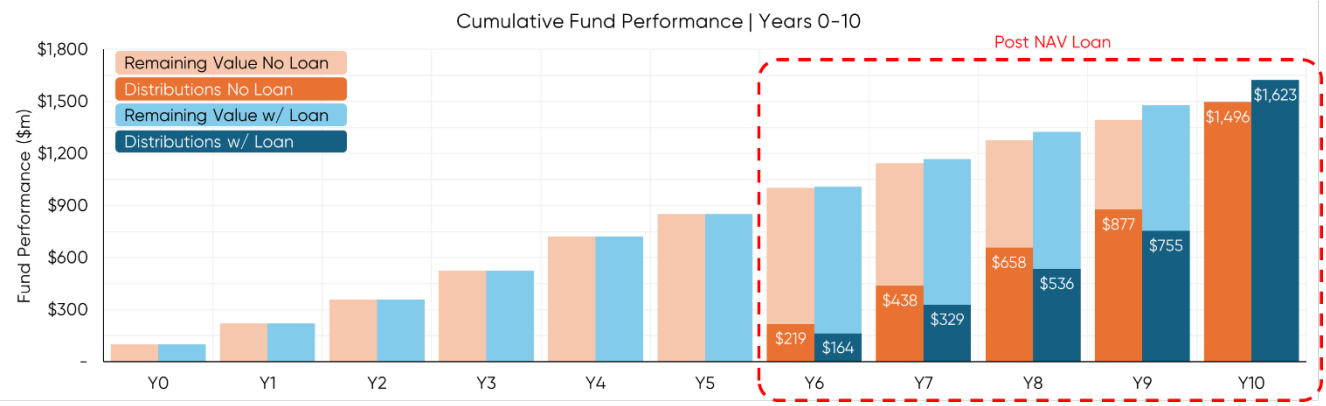


From Year 0 to Year 4, $100m is invested each year for a total of $500m invested. In Year 5, a $100m NAV Loan is used to reinvest in Company 1, which continues to grow at 20% annually. As a result:

- Total deployed capital at the fund level is $950m with the NAV Loan, compared to $850m without it. Keep in mind, $950m represents the remaining value plus the loan, not just the remaining value.
- The loan is repaid quickly between Years 6-8 due to the cash sweep.
- By Year 8, after repaying the loan, the levered scenario holds ~$170m more in remaining value than the unlevered scenario due to the compounding effect of leverage.

The remainder of the page is intentionally left blank.

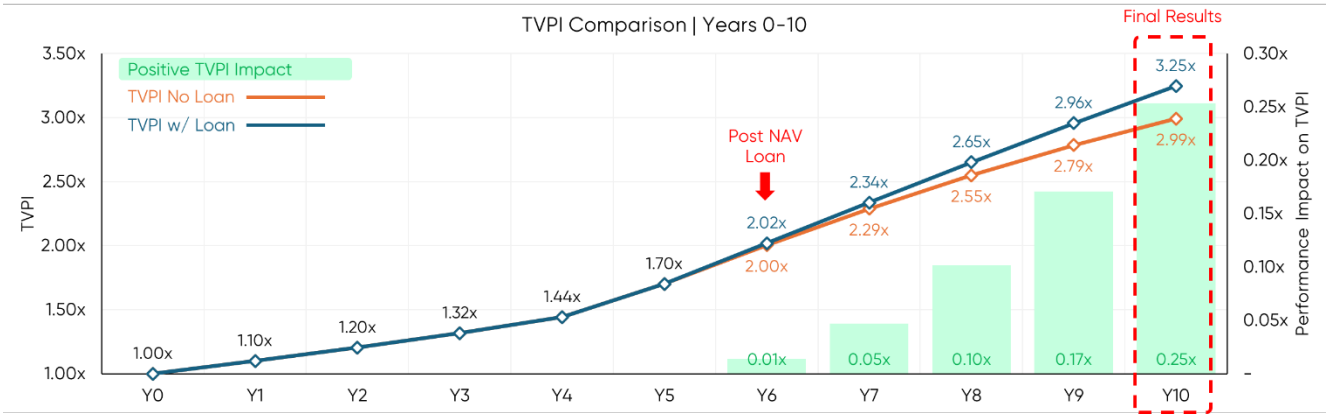
Cumulative Fund Performance



The total value begins to diverge immediately after the NAV Loan, with the levered scenario generating greater overall gains for LPs. Notes:

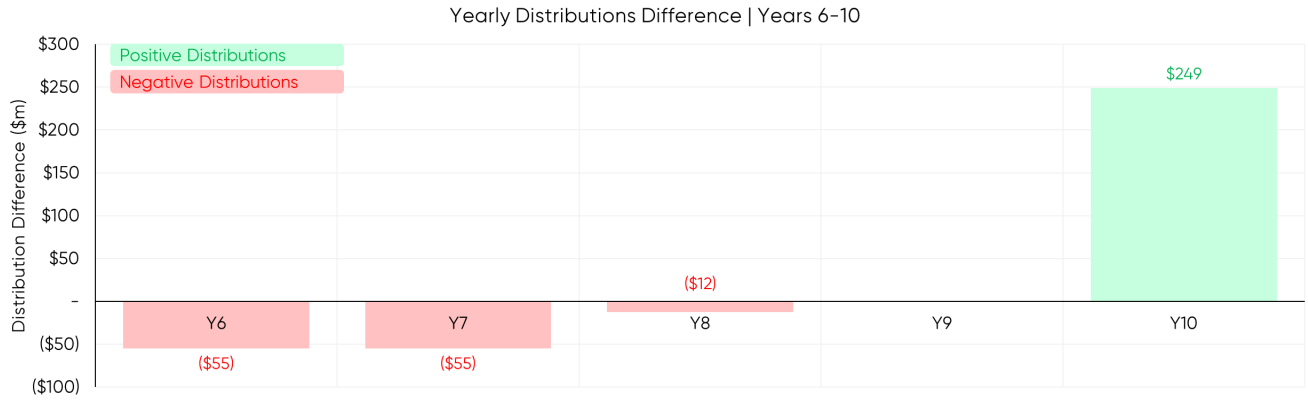
- The fund retains a higher portion of the total value in remaining value until Year 10.
- The levered scenario ends with $1.63B in distributed value, compared to $1.50B without the NAV Loan.
- Results from an end returns standpoint show a clear advantage for the levered scenario, boosting total returns by over $120M.

TVPI Comparison



The TVPI (Total Value / Paid-In Capital) performance also shows a clear advantage for the levered scenario. By Year 10, the levered scenario has a 0.25x higher TVPI in comparison to the unlevered case.

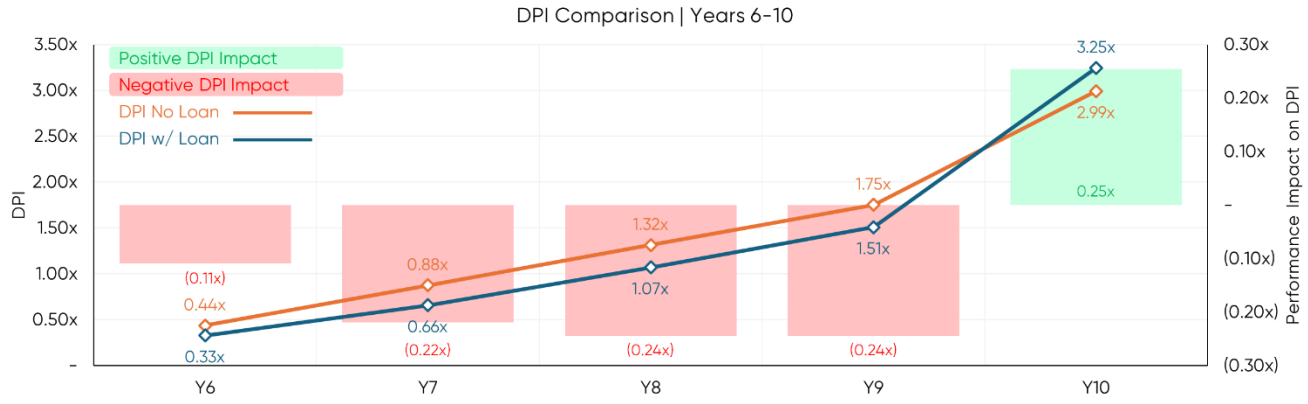
Yearly Distributions Difference



The chart above illustrates the difference in yearly distributions between the levered scenario and the unlevered scenario. Notes:

- Distributions in the levered scenario initially lag as cash flow is partially allocated to the NAV Loan pay down until Year 8.
- Once Company 1 is sold in Year 10, the proceeds more than compensate for the slower distributions in earlier years.
- This NAV Loan enhances long-term distributions despite short-term distribution delays.

DPI Comparison



From a DPI (Distributions / Paid-In Capital) perspective, the NAV Loan introduces a trade-off to DPI we saw in the previous chart.

- By Year 9, the levered scenario has a 1.51x DPI, compared to 1.75x for the unlevered scenario, creating a 0.24x temporary performance drag on DPI.
- However, once Company 1 is realized in Year 10, distributions catch up and exceed the unlevered scenario, offsetting the earlier lag. The levered scenario ends with a 3.25x DPI vs. a 2.99x DPI for the unlevered scenario.

- Some LPs may view the distribution delay as a drawback. If immediate distributions are a priority, a GP can use a fund distribution recap to accelerate cash returns and pull forward DPI, trading off a lower TVPI to better align with LP preferences.

Overall Returns: Looking at overall returns, the IRR remains similar, while the MoIC sees a significant increase in exchange for delayed distributions.

Metric	Without NAV Loan	With NAV Loan	Difference
MoIC	2.99x	3.25x	**+0.25x**
IRR	18.3%	18.6%	**+0.3%**

NAV Lender Return, Interest Rate Sensitivity, and Cash Sweep Sensitivity

Nav Lender Return: The fund starts at an 11% fund LTV as detailed in Year 5, and the NAV Loan is fully repaid by Year 8. The NAV lender's return is a 1.22x and a 13.0% IRR.

Interest Rate Sensitivity: If we maintain the same assumptions in the model above but change the interest rate, here is how the returns are affected:

All-In Rate	MoIC	IRR	MoIC Dif. from Best	IRR Dif. from Best
7.0%	3.27x	18.8%	-	-
9.0%	3.26x	18.7%	-0.01x	-0.0%
11.0%	3.25x	18.7%	-0.01x	-0.1%
13.0%	**3.25x**	**18.6%**	**-0.02x**	**-0.1%**
15.0%	3.24x	18.6%	-0.03x	-0.2%
17.0%	3.23x	18.5%	0.04x	-0.2%
19.0%	3.22x	18.5%	0.05x	-0.3%

The interest rate has minimal impact on returns because the fund LTV is only ~11% and the cash sweep leads to a quick loan payoff. Due to this rapid repayment, PIK interest does not have much time to accrue, making any difference in rates fairly insignificant.

Cash Sweep: If we maintain the same assumptions and a 13% interest rate, here is how the cash sweep changes the returns:

Cash Sweep Terms	MoIC	IRR	MoIC Dif. from Best	IRR Dif. from Best
Year 1&2: 0% / Year 3: 100%	3.20x	18.8%	-0.06x	-
Year 1&2: 25% / Year 3: 100%	**3.25x**	**18.6%**	**-0.02x**	**-0.1%**
Year 1&2: 50% / Year 3: 100%	3.26x	18.6%	-	-0.2%

Cash sweep terms often have a bigger impact on overall returns than interest rates. This is because different lenders can offer widely varying cash sweep terms, while interest rates usually stay within a narrower range. For example, one lender might propose a 100% cash sweep for the first two years, while another might offer 0% for the same period. In this instance, the cash sweep terms here have an inverse effect on MoIC and IRR. The loan is outstanding for longer, so PIK interest compounds and

increases the total debt, thereby reducing MoIC. However, IRR increases because the GP is no longer delaying immediate distributions, as discussed in the previous section.

Leverage Levels Assessment:

To quickly assess risk, we can do a simple calculation to see how leveraged the entire portfolio is after taking on a NAV Loan. One would want to check metrics like FCF (Free Cash Flow) ratios as well, but for simplicity, we will focus on the portfolio LTV of all companies. This is defined by the combined net debt over enterprise value of all companies (not to be confused with Fund LTV as has been previously referenced). If the average LTV at acquisition for each company was 50%, and by Year 5 the GP reduced the average LTV to 45% through debt pay down, the fund has deleveraged. Adding a NAV Loan that raises the total portfolio LTV to 48% still keeps the fund below the original 50% LTV at acquisition for each company. From a NAV lender's perspective, this debt would be spread across multiple companies rather than just one. Even if the leverage levels are the same, we would argue it is lower risk to leverage multiple portfolio companies that a GP has owned for five years than to take on the same level of leverage for a brand-new acquisition.

Avg. Portfolio Entry Net Debt / EV	**50%**
Year 5 Pre-NAV Loan	
Total Portfolio EV	$1,546
(-) Total Portfolio Net Debt	$696
Total Portfolio EqV	**$850**
Portfolio Net Debt / EV	*45%*
Year 5 Post-NAV Loan	
Year 5 NAV Loan	$100
Total Portfolio EV	$1,646
(-) Total Portfolio Net Debt	$796
Total Portfolio EqV	**$850**
Portfolio Net Debt / EV	*48%*

**All numbers in millions*

Return and Risk Summary:

In this successful levered scenario, the LP benefits significantly from the manager taking on the loan by enhancing returns while managing risk effectively.

- **Returns:** With the NAV Loan, the LP achieves a 3.25x MoIC, compared to 2.99x without it, and an 18.6% IRR, versus 18.3% without it.
- **Risk:** The GP remains below the average entry LTV of each portfolio company after the NAV Loan is executed and the GP has the advantage of fully understanding the portfolio companies before adding leverage. From the NAV lender's perspective, the risk is spread across a diversified portfolio rather than a single company.

NAV LOAN SCENARIO ANALYSIS

We ran Bull, Base, and Bear scenarios for the three main use cases of NAV Loans to analyze their impact on MoIC and IRR, both with and without a NAV Loan. The assumptions and terms are almost identical to the model above. The only difference in these scenarios is Company 1's performance, which is outlined in the scenario column of each use case scenario. Each scenario starts at Year 5.

Use Case 1: Growing Portfolio Financing | Reinvestment in Company 1 at Year 5

	Scenario and Commentary	Returns			
			No Loan	w/ Loan	Dif.
Bull	Company 1 outperforms expectations and grows at 25% annually after Year 5 due to the NAV Loan, leading to a significant performance increase of +0.64x in MoIC and +1.9% in IRR.	MoIC	2.99x	3.64x	+0.64x
		IRR	18.3%	20.2%	+1.9%
Base	Company 1 continues growing at 20% annually. This is the same as the scenario in the previous section. There is a strong increase in MoIC in this scenario.	MoIC	2.99x	3.25x	+0.25x
		IRR	18.3%	18.6%	+0.3%
Bear	Company 1's growth stops after Year 5, and the reinvestment breaks even at 1x. The overall portfolio impact is minimal, with a difference of -0.04x MoIC and -1.1% in IRR.	MoIC	2.25x	2.21x	-0.04x
		IRR	14.4%	13.2%	-1.1%

Use Case 2: Rescue Financing | Company 1 Goes Bankrupt Without NAV Loan at Year 5

	Scenario and Commentary	Returns			
			No Loan	w/ Loan	Dif.
Bull	MoIC drops to 0.5x by Year 5, but rescue financing allows the GP to grow Company 1 at 15% annually after Year 5, recovering a 1x. The NAV Loan leads to a difference of +0.36x MoIC and +1.9% IRR.	MoIC	1.75x	2.11x	+0.36x
		IRR	10.7%	12.6%	+1.9%
Base	MoIC drops to 0.5x by Year 5, and the asset sees no further growth or decline after the NAV Loan. It returns 0.5x on the initial investment and 1.0x on the reinvestment. This results in a difference of +0.06x MoIC and -0.4% IRR between scenarios.	MoIC	1.75x	1.81x	+0.06x
		IRR	10.7%	10.3%	-0.4%
Bear	Company 1 goes to 0 after the NAV Loan, and the reinvestment capital is also lost. This is the worst-performing scenario out of all use cases, leading to a difference of -0.24x MoIC and -3.1% IRR.	MoIC	1.75x	1.51x	-0.24x
		IRR	10.7%	7.5%	-3.1%

Use Case 3: Fund Distribution Recap | $100m Distribution at Year 5

	Scenario and Commentary	Returns			
			No Loan	w/ Loan	Dif.
Bull	Company 1 outperforms expectations, growing at 25% per year after the distribution recap in Year 5.	MoIC	3.27x	3.23x	-0.04x
		IRR	19.6%	19.8%	+0.2%
Base	Company 1 continues growing at 20% annually after the distribution recap in Year 5.	MoIC	2.99x	2.95x	-0.04x
		IRR	18.3%	18.5%	+0.2%
Bear	Company 1's growth stops completely after the NAV Loan and distribution recap in Year 5.	MoIC	2.25x	2.21x	-0.04x
		IRR	14.4%	14.4%	0.0%

Note on Fund Distribution Recap: The MoIC difference across all distribution recap scenarios results in only a 0.4x decline in MoIC and an IRR increase ranging from 0% to +0.2%. This shows that a NAV Loan used for distributions is the least impactful use case compared to others. Additionally, the NAV Loan fund LTV peaks at just 12% LTV in the distribution case, meaning the risk profile is relatively similar to the other use cases.

Summary of Use Cases:

As seen from the analysis above, a NAV Loan proves to be highly beneficial in most scenarios, offering significant value creation and strategic flexibility for the fund.

1. **Growing Portfolio Financing:** If Company 1 stops growing and remains at 1.0x after financing, the impact is minimal. However, if financing accelerates growth, the NAV Loan can unlock significant value.
2. **Rescue Financing:** If the GP can revive Company 1 from a 0.5x to a 1.0x MoIC, the fund sees a substantial gain. Since Company 1 may not qualify for financing on its own, using a NAV Loan could be the only option available. However, if the investment goes to 0, it becomes the worst-case scenario for LPs, having a greater negative impact than any other bear case.
3. **Fund Distribution Recap:** This does not significantly change fund performance; it simply pulls forward distributions. If LPs are requesting a distribution, a fund distribution recap is a very legitimate way of providing early liquidity and increasing IRR with minimal impact on overall performance.

When analyzing the sensitivities across all use cases, we can see that the most important factor is the GP's underlying performance. Ultimately, the GP's ability to generate returns determines whether a NAV Loan adds value not the use of a NAV Loan itself.

There is one more valid question that remains after looking at performance scenarios: Why choose a NAV Loan over single-company debt?

CHOOSING A NAV LOAN OVER A SINGLE COMPANY LOAN

If a private equity manager needs liquidity, why take a NAV Loan instead of just borrowing against a single portfolio company? The short answer: flexibility, efficiency, and economics. The longer answer:

1. **Faster Funding, Easier Execution, and Operationally Efficient**
    - Single-company debt can require extensive diligence and structuring around that specific business and intercreditor relationships, slowing down the process.
    - NAV Loans, by leveraging the entire portfolio, can be underwritten more efficiently and deployed more quickly. As such, the GP would not need to run separate processes for 3 separate assets if each asset is in need of capital.
2. **Less Upside Sharing than Mezzanine Debt With Better Terms**
    - Mezzanine lenders use equity kickers such as warrants and participations that eat into future upside. NAV Loans tend to be straight forward without the kickers, reducing dilution and keeping more value in the hands of the GP and LPs.
    - Compared to a recap or mezzanine financing, the process is essentially the same amount of work, but GPs are working with a bigger and more diversified pool of assets, which can translate to better pricing and terms. If a single-company deal requires cross-collateralization, a GP is halfway to a NAV Loan structure already.
3. **More Flexibility for the GP**
    - A NAV Loan is not tied to just one company – it provides liquidity that can be allocated across multiple portfolio companies if needed.
    - If a GP needs to support a struggling asset while also funding new growth initiatives in another, a NAV Loan allows for capital to be deployed strategically across the fund.

FINAL VERDICT

David Golub of Golub Capital was on a podcast recently, and he made some great points on how private credit has evolved. Historically, companies looking for financing had to go to banks for senior debt and then turn to mezzanine funds for additional capital. This process was not just fragmented – it was slow and prone to transaction failures. With the boom of private credit funds, lenders could provide unitranche financing – a single, streamlined capital solution that combines senior and mezzanine debt into one package (possibly tranching it out to other investors after the deal closed if needed). This meant faster execution, fewer counterparties, more efficient syndications, and fewer failed deals. It was a win for both GPs, portfolio companies, and lenders.

Today, we have NAV lending. It is the next step in this evolution. Instead of financing at the company level, private markets managers can now finance at the fund level, unlocking liquidity in a way that is more flexible, more scalable, and often cheaper than alternative financing options.

Yes, like any form of leverage, NAV Loans require discipline. But when used correctly, they can smooth liquidity needs, optimize capital deployment, and even enhance fund returns – all without the excessive dilution or rigid constraints that come with alternative financing options.

For all the controversy about NAV Loans, the reality is they are just another liquidity tool – one that gives private equity managers more flexibility and efficiency in how they manage their portfolios. We believe that new, innovative financing structures are not inherently bad; if anything, they are additive to the market, giving GPs an extended toolkit to manage investments in a thoughtful and controlled way.

End

Authors:

Max Weichel
Director
max@felicitasgp.com
(626) 630-8054

&

Calvin Marks
Managing Director
calvin@felicitasgp.com
(626) 786-9979

APPENDIX

Model Sections:

- **Section 1 | Portfolio Company Values:** Details the timing of investments and divestments, company valuations over time, and growth rates. Investment cash flows, multiples, and timing align with the portfolio investment metrics schedule above.
- **Section 2 | Fund Values and Cash Flows:** Details the fund's asset value, including leverage from the NAV Loan (in the NAV Loan model only), along with fund-level cash flows.
- **Section 3 (Only In the Levered Model) | Debt Schedule:** Details the NAV Loan's debt schedule, including fund LTV, cash sweep assumptions, and the interest rate.

Model 1: Unlevered. Includes Sections 1 and 2

All numbers in millions

Portfolio Company Cash Flow, Values, and Growth											
Year	**Y0**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**	**Y10**
Investment Cash Flow											
Company 1	($100)	-	-	-	-	-	-	-	-	-	$619
Company 2	-	($100)	-	-	-	-	$219	-	-	-	-
Company 3	-	-	($100)	-	-	-	-	$219	-	-	-
Company 4	-	-	-	($100)	-	-	-	-	$219	-	-
Company 5	-	-	-	-	($100)	-	-	-	-	$219	-
Total	**($100)**	**($100)**	**($100)**	**($100)**	**($100)**	**-**	**$219**	**$219**	**$219**	**$219**	**$619**
Investment Value											
Company 1	$100	$120	$144	$173	$207	$249	$299	$358	$430	$516	-
Company 2	-	$100	$117	$137	$160	$187	-	-	-	-	-
Company 3	-	-	$100	$117	$137	$160	$187	-	-	-	-
Company 4	-	-	-	$100	$117	$137	$160	$187	-	-	-
Company 5	-	-	-	-	$100	$117	$137	$160	$187	-	-
Total	**$100**	**$220**	**$361**	**$527**	**$721**	**$850**	**$783**	**$706**	**$617**	**$516**	**-**
Growth											
Company 1		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Company 2		-	17.0%	17.0%	17.0%	17.0%	17.0%	-	-	-	-
Company 3		-	-	17.0%	17.0%	17.0%	17.0%	17.0%	-	-	-
Company 4		-	-	-	17.0%	17.0%	17.0%	17.0%	17.0%	-	-
Company 5		-	-	-	-	17.0%	17.0%	17.0%	17.0%	17.0%	-

Fund Values and Cash Flows											
Year	**Y0**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**	**Y10**
Value Schedule											
Beg: Asset Value	-	**$100**	**$220**	**$361**	**$527**	**$721**	**$850**	**$783**	**$706**	**$617**	**$516**
(+) LP Contributions	$100	$100	$100	$100	$100	-	-	-	-	-	-
(+) Asset Growth	-	$20	$41	$66	$95	$129	$152	$142	$131	$118	$103
(-) Gross Distributions	-	-	-	-	-	-	($219)	($219)	($219)	($219)	($619)
End: Asset Value	**$100**	**$220**	**$361**	**$527**	**$721**	**$850**	**$783**	**$706**	**$617**	**$516**	**-**
Cash Flow	**($100)**	**($100)**	**($100)**	**($100)**	**($100)**	**-**	**$219**	**$219**	**$219**	**$219**	**$619**

Model 2: NAV Loan. Includes Sections 1, 2, and 3

All numbers in millions

Portfolio Company Cash Flow, Values, and Growth											
Year	**Y0**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**	**Y10**
Investment Cash Flow											
Company 1	($100)	-	-	-	-	-	-	-	-	-	$619
Company 2	-	($100)	-	-	-	-	$219	-	-	-	-
Company 3	-	-	($100)	-	-	-	-	$219	-	-	-
Company 4	-	-	-	($100)	-	-	-	-	$219	-	-
Company 5	-	-	-	-	($100)	-	-	-	-	$219	-
Reinvestment in Company 1	-	-	-	-	-	($100)	-	-	-	-	$249
Total	**($100)**	**($100)**	**($100)**	**($100)**	**($100)**	**($100)**	**$219**	**$219**	**$219**	**$219**	**$868**
Asset Value											
Company 1	$100	$120	$144	$173	$207	$249	$299	$358	$430	$516	-
Company 2	-	$100	$117	$137	$160	$187	-	-	-	-	-
Company 3	-	-	$100	$117	$137	$160	$187	-	-	-	-
Company 4	-	-	-	$100	$117	$137	$160	$187	-	-	-
Company 5	-	-	-	-	$100	$117	$137	$160	$187	-	-
Reinvestment in Company 1	-	-	-	-	-	$100	$120	$144	$173	$207	-
Total	**$100**	**$220**	**$361**	**$527**	**$721**	**$950**	**$903**	**$850**	**$790**	**$723**	**-**
Asset Value Growth											
Company 1		20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Company 2		-	17.0%	17.0%	17.0%	17.0%	17.0%	-	-	-	-
Company 3		-	-	17.0%	17.0%	17.0%	17.0%	17.0%	-	-	-
Company 4		-	-	-	17.0%	17.0%	17.0%	17.0%	17.0%	-	-
Company 5		-	-	-	-	17.0%	17.0%	17.0%	17.0%	17.0%	-
Reinvestment in Company 1		-	-	-	-	-	20.0%	20.0%	20.0%	20.0%	20.0%

Fund Values and Cash Flows											
Year	**Y0**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**	**Y10**
Fund Value Schedule											
Beg: Asset Value	-	**$100**	**$220**	**$361**	**$527**	**$721**	**$950**	**$903**	**$850**	**$790**	**$723**
(+) LP Contributions	$100	$100	$100	$100	$100	-	-	-	-	-	-
(+) Lender Contributions	-	-	-	-	-	$100	-	-	-	-	-
(+) Asset Growth	-	$20	$41	$66	$95	$129	$172	$166	$160	$152	$145
(-) Gross Distributions	-	-	-	-	-	-	($219)	($219)	($219)	($219)	($868)
End: Asset Value	**$100**	**$220**	**$361**	**$527**	**$721**	**$950**	**$903**	**$850**	**$790**	**$723**	**-**
(-) Fund Leverage	-	-	-	-	-	($100)	($58)	($11)	-	-	-
End: Asset Value After Fund Leverage	**$100**	**$220**	**$361**	**$527**	**$721**	**$850**	**$845**	**$839**	**$790**	**$723**	**-**
Contributions Sources											
Lender Contributions	-	-	-	-	-	($100)	-	-	-	-	-
LP Contributions	($100)	($100)	($100)	($100)	($100)	-	-	-	-	-	-
Total Contributions	**($100)**	**($100)**	**($100)**	**($100)**	**($100)**	**($100)**	**-**	**-**	**-**	**-**	**-**
Distributions Waterfall											
Lender Distributions	-	-	-	-	-	-	$55	$55	$12	-	-
LP Distributions	-	-	-	-	-	-	$164	$164	$207	$219	$868
Total Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**$219**	**$219**	**$219**	**$219**	**$868**
Levered Cash Flow	**($100)**	**($100)**	**($100)**	**($100)**	**($100)**	**-**	**$164**	**$164**	**$207**	**$219**	**$868**

Debt Schedules												
Year		**Y0**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Y6**	**Y7**	**Y8**	**Y9**	**Y10**
NAV Loan Schedule												
Beg: Balance		-	-	-	-	-	-	$100	$58	$11	-	-
(+) PIK Interest		-	-	-	-	-	-	$13	$8	$1	-	-
(+) Contribution		-	-	-	-	-	$100	-	-	-	-	-
(-) Payback		-	-	-	-	-	-	($55)	($55)	($12)	-	-
End Balance		-	-	-	-	-	$100	$58	$11	-	-	-
Cash Sweep		*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*25%*	*25%*	*100%*	*100%*	*100%*
Total	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*
Cash Interest	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
PIK Interest	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*	*13.0%*
LTV		-	-	-	-	-	*11%*	*6%*	*1%*	-	-	-

DISCLOSURE STATEMENT

The opinions expressed in this report reflect the views of Felicitas Global Partners, LLC ("Felicitas") as of the publication date and are subject to change based on market conditions, economic developments, or other factors. The information presented has been sourced from what are believed to be reliable outlets, but its accuracy, completeness, and timeliness cannot be guaranteed. Felicitas has not independently verified the data and accepts no responsibility for errors, omissions, or inconsistencies that may exist.

This report is for informational purposes only and does not constitute investment advice, an offer, solicitation, or recommendation to buy or sell any security, financial product, or investment strategy. It does not consider an investor's specific objectives, financial circumstances, tax considerations, or risk tolerance. Investors should seek independent professional advice before making any investment decision based on the information provided. The scenario presented in this document is purely hypothetical and not intended to reflect any real or proposed Felicitas investment strategy.

Felicitas makes no express or implied warranty regarding the accuracy, completeness, or reliability of the information. It may contain typographical errors or misinterpretations due to human or mechanical oversight, and market conditions or economic changes may render some content outdated after publication. Felicitas disclaims all liability for investment decisions made in reliance on this report and shall not be responsible for any direct, indirect, incidental, consequential, or punitive damages resulting from its use.

This report contains confidential, proprietary information intended solely for the recipient. It may not be reproduced, distributed, or disclosed without Felicitas' prior written consent, except as required by applicable law. Unauthorized dissemination may result in competitive harm to the recipient, Felicitas, or the original source of the information.

Any projections, estimates, or opinions regarding future returns, risks, or investment outcomes are speculative and based on assumptions that may not materialize. These expectations reflect subjective judgments informed by historical data, investment strategies, and current market conditions. They are not guarantees of future performance and should not be the sole basis for investment decisions. Actual results may differ materially due to unforeseen factors, and no assurance is given that expected returns, risk levels, or investment goals will be achieved.

Sample or pro forma performance data, if included, is for illustrative purposes only and relies on assumptions that may not be fully disclosed. Such examples should not be interpreted as indicative of actual or future results. Past performance is not a reliable indicator of future outcomes, and all investments involve risks, including the potential loss of principal.

The views and opinions expressed are based on conditions as of the report's publication date and are subject to change without notice. Felicitas assumes no obligation to update the content or inform recipients of subsequent developments. Any dates mentioned typically refer to the end of the respective month unless otherwise specified.

Investments in NAV Loans and related strategies carry inherent risks, including but not limited to market volatility, credit risk, interest rate fluctuations, and liquidity constraints. There is no guarantee that any investment strategy will achieve its intended objectives or generate positive returns.

Recipients of this report bear full responsibility for evaluating the information provided and making their own investment decisions. Felicitas shall not be liable for any losses, damages, or adverse outcomes resulting from reliance on the content herein.

FELICITAS GLOBAL PARTNERS

Contacts

Bonar Chhay, CFA
Managing Partner
bonar@felicitasgp.com
(310) 651-8992

Calvin Marks
Managing Director
calvin@felicitasgp.com
(626) 786-9979

Max Weichel
Director
max@felicitasgp.com
(626) 630-8054

Felicitas Global Partners, LLC
65 N. Raymond Avenue, Suite 315
Pasadena, CA 91103
info@felicitasgp.com
(310) 461-8990