

Multi-Strat S.à r.l.

(formerly: Alcentra MS S.à r.l.)

**ANNUAL ACCOUNTS FOR YEAR ENDED
31 DECEMBER 2018**

**51, avenue J.F. Kennedy,
L - 1855 Luxembourg,
R.C.S. Luxembourg: B 181841**

Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l.)

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Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l.)

MANAGEMENT REPORT

The Board of Managers of Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l., the “Company”) herewith submits its report for the year ended 31 December 2018.

General

Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l.) was incorporated on 25 October 2013 and organised under the laws of Luxembourg as a “société à responsabilité limitée” for an unlimited period and is subject to the Law of 22 March 2004 on securitisation (the “Securitisation Law”).

The registered office of the Company is established at 51, avenue John F. Kennedy, L-1855 Luxembourg.

The Company’s financial year starts on 1 January and ends on 31 December (with the exception of the first year, which began on the date of the incorporation of the Company on 25 October 2013 and ended on 31 December 2013).

The Company is a securitisation company within the meaning of the law of 22 March 2004 on securitisation and has as its corporate purpose the holding of investments in a portfolio of debt securities.

Summary of activities

The total carrying value of loan notes issued and outstanding as at 31 December 2018 amounted to USD 201,016,831 (2017: USD 220,091,741).

Risk exposures

The principal risks facing the Company during the year relate to the financial instruments held by it and the Company expects the nature of these risks to remain the same for the foreseeable future.

Price risk

The investments purchased by the Company are subject to changes in value due to changes in market prices. Due to the limited recourse nature of the debt securities issued all price risk is ultimately borne by the note holders.

Credit risk

The Company is exposed to the risk of default on the portfolio of debt securities held. Due to the limited recourse nature of the debt securities issued all credit risk is ultimately borne by the note holders.

Liquidity risk and cash flow risk

The notes issued by the Company are limited recourse. Due to the limited recourse nature of the debt securities issued all liquidity and cash flow risks are ultimately borne by the note holders.

Interest rate risk

The investments purchased by the Company are subject to changes in value and income from them varies in line with changes in interest rates. Due to the limited recourse nature of the debt securities issued all interest rate risks are ultimately borne by the note holders.

Research and development activities

The Company was neither involved nor participated in any kind of research or development activities in the year ended 31 December 2018.

Branches of the Company

The Company does not have any branches.

Subsequent events

No events have occurred subsequent to the year-end which would have material impact on the annual accounts for the year ended 31 December 2018.

Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l.)

MANAGEMENT REPORT (CONTINUED)

Corporate Governance Statement

Risk Management

The Board has overall responsibility for the Company's system of internal control and risk management. The Company has an embedded risk management and reporting process which ensures that risks are identified, assessed and mitigated at an executive level and reported to the Board.

Changes in both external and internal environments are reviewed during the year to ensure their impacts on the Company's risk profile.

The Company outsources the performance of all of its operations to third party service providers. The Board exercises oversight with respect to the performance by these service providers of their contractual duties.

Internal control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's investment activity is managed by the Servicer. The Servicer has put in place the necessary controls to ensure that their obligations under the servicer agreement are properly discharged. The servicer provides a monthly report on which the calculation agent performs certain calculation checks.

The Company has outsourced the preparation of the annual financial statements to the corporate administrator. The corporate administrator controls this process through segregation of duties and the employment of suitably qualified personnel. The Board reviews and discusses the financial statements presented to them by the corporate administrator. Once satisfied the Board approves the financial statements.

The effectiveness of the system of internal control and risk management process is reviewed annually by the Board.

Luxembourg, 25 April 2019

Board of Managers



Alexandra Fantuz



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To the Shareholders of
Multi-Strat S.à r.l. (formerly known as "Alcentra MS S.à r.l.")
51, Avenue John F. Kennedy
L-1855 Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Multi-Strat S.à r.l. (formerly known as "Alcentra MS S.à r.l.") (the "Company"), which comprise the balance sheet as at 31 December 2018, and the profit and loss account 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 Company as at 31 December 2018, and of the results of its operations 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 ("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 "Réviseur d'Entreprises agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments (financial assets – other loans)

Refer to Note 3A to the annual accounts

a. <i>Why the matter was considered to be one of the most significant in our audit of the annual accounts of the current period</i>	b. <i>How the matter was addressed in our audit</i>
<p>The fair value of investments held by the Company in financial assets – other loans represented 90% of its total assets as at 31 December 2018.</p> <p>These investments are illiquid by nature, therefore significant judgements and estimates are required to be applied by the Board of Managers in its assessment of their fair value. Inappropriate judgements made in relation to the methodology and inputs used or the assumptions taken may have a material impact on the valuation of the investment portfolio.</p>	<p>Our procedures over the valuation of the Company's investments in financial assets – other loans included, but were not limited to:</p> <ul style="list-style-type: none"> • We inspected the valuation workings and pricing committee minutes received from management and assessed the accuracy of the fair value calculations by: <ul style="list-style-type: none"> ○ agreeing the number/nominal amount of investment positions to custodian confirmations, ○ agreeing the pricing of the securities to independent pricing sources and relevant corroborative supporting documents, and ○ reperforming the calculation of the investment valuations.

Responsibilities of the Board of Managers of the Company and Those Charged with Governance for the annual accounts

The Board of Managers of the Company 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 Company 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 Company is responsible for assessing the Company'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 Company either intends to liquidate the Company 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 “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 the 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 Company'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 Company.
- Conclude on the appropriateness of Board of Managers of the Company 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 Company'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 in the annual accounts 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 Company 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.


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 25 April 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

A handwritten signature in black ink, appearing to be 'T. Ramphul', written over the printed name.

T. Ramphul
Associate Partner

Annual Accounts Helpdesk :**Tel. :** (+352) 247 88 494**Email :** centralebilans@statec.etat.lu

RCSL Nr. : B181841

Matricule : 2013 2452 459

BALANCE SHEET**Financial year from** ⁰¹ 01/01/2018 **to** ⁰² 31/12/2018 (in ⁰³ USD)Mult ☐ Strat S.à r.l.☐ Avenue ☐ o ☐ n ☐ . ☐ enned ☐ ☐L- ☐ ☐ ☐ Luxembourg**ASSETS**

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid			
I. Subscribed capital not called	1101 _____	101 _____	102 _____
II. Subscribed capital called but unpaid	1103 _____	103 _____	104 _____
	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____ 3	109 189.209.627,00	110 188.213.061,00
I. Intangible assets	1111 _____	111 _____	112 _____
1. Costs of development	1113 _____	113 _____	114 _____
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115 _____	115 _____	116 _____
a) acquired for valuable consideration and need not be shown under C.I.3	1117 _____	117 _____	118 _____
b) created by the undertaking itself	1119 _____	119 _____	120 _____
3. Goodwill, to the extent that it was acquired for valuable consideration	1121 _____	121 _____	122 _____
4. Payments on account and intangible assets under development	1123 _____	123 _____	124 _____
II. Tangible assets	1125 _____	125 _____	126 _____
1. Land and buildings	1127 _____	127 _____	128 _____
2. Plant and machinery	1129 _____	129 _____	130 _____

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	Reference(s)	Current year	Previous year
3. Other fixtures and fittings, tools and equipment	1131 _____	131 _____	132 _____
4. Payments on account and tangible assets in the course of construction	1133 _____	133 _____	134 _____
III. Financial assets	1135 _____ 3	135 189.209.627,00	136 188.213.061,00
1. Shares in affiliated undertakings	1137 _____	137 _____	138 _____
2. Loans to affiliated undertakings	1139 _____	139 _____	140 _____
3. Participating interests	1141 _____	141 _____	142 _____
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143 _____	143 _____	144 _____
5. Investments held as fixed assets	1145 _____ 3B	145 64.610,00	146 0,00
6. Other loans	1147 _____ 3A	147 189.145.017,00	148 188.213.061,00
D. Current assets	1151 _____	151 19.892.323,00	152 49.755.523,00
I. Stocks	1153 _____	153 _____	154 _____
1. Raw materials and consumables	1155 _____	155 _____	156 _____
2. Work in progress	1157 _____	157 _____	158 _____
3. Finished goods and goods for resale	1159 _____	159 _____	160 _____
4. Payments on account	1161 _____	161 _____	162 _____
II. Debtors	1163 _____ 4.1	163 1.601.876,00	164 3.444.942,00
1. Trade debtors	1165 _____	165 _____	166 _____
a) becoming due and payable within one year	1167 _____	167 _____	168 _____
b) becoming due and payable after more than one year	1169 _____	169 _____	170 _____
2. Amounts owed by affiliated undertakings	1171 _____	171 _____	172 _____
a) becoming due and payable within one year	1173 _____	173 _____	174 _____
b) becoming due and payable after more than one year	1175 _____	175 _____	176 _____
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177 _____	177 _____	178 _____
a) becoming due and payable within one year	1179 _____	179 _____	180 _____
b) becoming due and payable after more than one year	1181 _____	181 _____	182 _____
4. Other debtors	1183 _____ 4.1	183 1.601.876,00	184 3.444.942,00
a) becoming due and payable within one year	1185 _____ 4.1	185 1.601.876,00	186 3.444.942,00
b) becoming due and payable after more than one year	1187 _____	187 _____	188 _____

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Matricule : 2013 2452 459

	Reference(s)	Current year	Previous year
III. Investments	1189 _____	189 _____	190 _____
1. Shares in affiliated undertakings	1191 _____	191 _____	192 _____
2. Own shares	1209 _____	209 _____	210 _____
3. Other investments	1195 _____	195 _____	196 _____
IV. Cash at bank and in hand	1197 <u>4.2</u>	197 <u>18.290.447,00</u>	198 <u>46.310.581,00</u>
E. Prepayments	1199 _____	199 _____	200 _____
TOTAL (ASSETS)		201 <u>209.101.950,00</u>	202 <u>237.968.584,00</u>

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
	1301 <u>5</u>	301 <u>24.594,00</u>	302 <u>24.594,00</u>
I. Subscribed capital	1303 <u>5</u>	303 <u>20.000,00</u>	304 <u>20.000,00</u>
II. Share premium account	1305 _____	305 _____	306 _____
III. Revaluation reserve	1307 _____	307 _____	308 _____
IV. Reserves	1309 <u>6</u>	309 <u>345,00</u>	310 <u>230,00</u>
1. Legal reserve	1311 <u>6</u>	311 <u>345,00</u>	312 <u>230,00</u>
2. Reserve for own shares	1313 _____	313 _____	314 _____
3. Reserves provided for by the articles of association	1315 _____	315 _____	316 _____
4. Other reserves, including the fair value reserve	1429 _____	429 _____	430 _____
a) other available reserves	1431 _____	431 _____	432 _____
b) other non available reserves	1433 _____	433 _____	434 _____
V. Profit or loss brought forward	1319 <u>5</u>	319 <u>4.249,00</u>	320 <u>4.364,00</u>
VI. Profit or loss for the financial year	1321 _____	321 _____	322 _____
VII. Interim dividends	1323 _____	323 _____	324 _____
VIII. Capital investment subsidies	1325 _____	325 _____	326 _____
B. Provisions	1331 _____	331 <u>6.420,00</u>	332 <u>6.420,00</u>
1. Provisions for pensions and similar obligations	1333 _____	333 _____	334 _____
2. Provisions for taxation	1335 _____	335 <u>6.420,00</u>	336 <u>6.420,00</u>
3. Other provisions	1337 _____	337 _____	338 _____
C. Creditors	1435 _____	435 <u>209.070.936,00</u>	436 <u>237.937.570,00</u>
1. Debenture loans	1437 <u>7A</u>	437 <u>201.016.831,00</u>	438 <u>220.091.741,00</u>
a) Convertible loans	1439 _____	439 _____	440 _____
i) becoming due and payable within one year	1441 _____	441 _____	442 _____
ii) becoming due and payable after more than one year	1443 _____	443 _____	444 _____
b) Non convertible loans	1445 <u>7A</u>	445 <u>201.016.831,00</u>	446 <u>220.091.741,00</u>
i) becoming due and payable within one year	1447 _____	447 _____	448 _____
ii) becoming due and payable after more than one year	1449 <u>7A</u>	449 <u>201.016.831,00</u>	450 <u>220.091.741,00</u>
2. Amounts owed to credit institutions	1355 <u>7C</u>	355 <u>427.933,00</u>	356 <u>3.047.700,00</u>
a) becoming due and payable within one year	1357 <u>7C</u>	357 <u>427.933,00</u>	358 <u>3.047.700,00</u>
b) becoming due and payable after more than one year	1359 _____	359 _____	360 _____

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	Reference(s)	Current year	Previous year
3. Payments received on account of orders in so far as they are not shown separately as deductions from stocks	1361 _____	361 _____	362 _____
a) becoming due and payable within one year	1363 _____	363 _____	364 _____
b) becoming due and payable after more than one year	1365 _____	365 _____	366 _____
4. Trade creditors	1367 _____	367 _____	368 _____
a) becoming due and payable within one year	1369 _____	369 _____	370 _____
b) becoming due and payable after more than one year	1371 _____	371 _____	372 _____
5. Bills of exchange payable	1373 _____	373 _____	374 _____
a) becoming due and payable within one year	1375 _____	375 _____	376 _____
b) becoming due and payable after more than one year	1377 _____	377 _____	378 _____
6. Amounts owed to affiliated undertakings	1379 _____	379 _____	380 _____
a) becoming due and payable within one year	1381 _____	381 _____	382 _____
b) becoming due and payable after more than one year	1383 _____	383 _____	384 _____
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385 _____	385 _____	386 _____
a) becoming due and payable within one year	1387 _____	387 _____	388 _____
b) becoming due and payable after more than one year	1389 _____	389 _____	390 _____
8. Other creditors	1451 _____ 7B	451 <u>7.626.172,00</u>	452 <u>14.798.129,00</u>
a) Tax authorities	1393 _____	393 _____	394 _____
b) Social security authorities	1395 _____	395 _____	396 _____
c) Other creditors	1397 _____ 7B	397 <u>7.626.172,00</u>	398 <u>14.798.129,00</u>
i) becoming due and payable within one year	1399 _____ 7B	399 <u>7.626.172,00</u>	400 <u>14.798.129,00</u>
ii) becoming due and payable after more than one year	1401 _____	401 _____	402 _____
D. Deferred income	1403 _____	403 _____	404 _____
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 <u>209.101.950,00</u>	406 <u>237.968.584,00</u>

Annual Accounts Helpdesk :**Tel. :** (+352) 247 88 494**Email :** centralebilans@statec.etat.lu

RCSL Nr. : B181841

Matricule : 2013 2452 459

PROFIT AND LOSS ACCOUNT**Financial year from** ⁰¹ 01/01/2018 **to** ⁰² 31/12/2018 (in ⁰³ USD)Mult ☐ Strat S.à r.l.☐ Avenue ☐ o ☐ n ☐ . ☐ enned ☐ ☐L- ☐ ☐ ☐ Luxembourg**PROFIT AND LOSS ACCOUNT**

	Reference(s)	Current year	Previous year
1. Net turnover	1701 _____	701 _____	702 _____
2. Variation in stocks of finished goods and in work in progress	1703 _____	703 _____	704 _____
3. Work performed by the undertaking for its own purposes and capitalised	1705 _____	705 _____	706 _____
4. Other operating income	1713 _____	713 _____	714 _____
5. Raw materials and consumables and other external expenses	1671 _____ 8	671 _____ -682.975,00	672 _____ -599.592,00
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____ 8	603 _____ -682.975,00	604 _____ -599.592,00
6. Staff costs	1605 _____	605 _____	606 _____
a) Wages and salaries	1607 _____	607 _____	608 _____
b) Social security costs	1609 _____	609 _____	610 _____
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 _____	656 _____
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 _____	621 _____	622 _____

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	Reference(s)	Current year	Previous year
9. Income from participating interests	1715	715	716
a) derived from affiliated undertakings	1717	717	718
b) other income from participating interests	1719	719	720
10. Income from other investments and loans forming part of the fixed assets	1721	721	722
a) derived from affiliated undertakings	1723	723	724
b) other income not included under a)	1725	725	726
11. Other interest receivable and similar income	1727	727	728
a) derived from affiliated undertakings	1729	729	730
b) other interest and similar income	1731	731	732
12. Share of profit or loss of undertakings accounted for under the equity method	1663	663	664
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	665	666
14. Interest payable and similar expenses	1627	627	628
a) concerning affiliated undertakings	1629	629	630
b) other interest and similar expenses	1631	631	632
15. Tax on profit or loss	1635	635	636
16. Profit or loss after taxation	1667	667	668
17. Other taxes not shown under items 1 to 16	1637	637	638
18. Profit or loss for the financial year	1669	669	670

Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l.)

NOTES TO THE ACCOUNTS YEAR ENDED 31 DECEMBER 2018

Note 1 – General information

Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l., the “Company”) was incorporated on 25 October 2013 and organised under the laws of Luxembourg as a “société à responsabilité limitée” for an unlimited period and is subject to the Law of 22 March 2004 on securitisation (the “Securitisation Law”).

The registered office of the Company is established at 51, avenue John F. Kennedy, L-1855 Luxembourg. The Company number with Registre du Commerce is B 181841.

The Company’s parent Company is Alcentra Multi-Strategy European Credit Fund, series of the BNY Series Trust, a Delaware statutory trust who registered office is at One Wall Street, New York, NY 10286, USA.

The Company’s financial year starts on 1 January and ends on 31 December of each year (with the exception of the first year, which began on the date of the incorporation of the Company on 25 October 2013 and ended on 31 December 2013).

The Company is a securitisation company within the meaning of the law of 22 March 2004 on securitisation and has as its corporate purpose the holding of investments in a portfolio of loans.

On 21 December 2017, the sole shareholder has approved the change of the name from Alcentra MS S.à r.l. to Multi-Strat S.à r.l.

Note 2 – Basis of preparation and summary of significant accounting policies

2.1 Basis of Preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002 amended on 17 December 2010 (the “amended law”), determined and applied by the Board of Managers.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Managers to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have significant impact on the annual accounts in the period in which the assumptions changed. The Board of Managers believe that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements 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.

2.2 Significant accounting policies

The main valuation rules applied by the Company are the following:

2.2.1 Financial fixed assets – Other loans held as fixed assets

Other loans held as fixed assets are recorded initially at their purchase price. Subsequent to initial recognition these financial fixed assets are valued at their fair values with changes in fair values through the profit and loss account.

The fair values are determined by the Board of Managers on the basis of independent broker quotes, data vendors, and estimates and associated assumptions based on historical experience and other factors that are believed to be reasonable under these circumstances, the result of which form the basis of making judgements about the fair value of the underlying investments. Actual results may differ from these estimates.

2.2.2 Cash at bank and in hand

Cash at bank and in hand comprise cash in hand, cash at bank, deposits held at call with banks.

2.2.3 Interest income and expense

Interest income is recorded on accrual basis. Interest expense is recorded on accrual basis.

Multi-Strat S.à r.l. (formerly: Alcentra MS S.à r.l.)

NOTES TO THE ACCOUNTS (Continued) YEAR ENDED 31 DECEMBER 2018

Note 2 – Summary of significant accounting policies (continued)

2.2 Significant accounting policies (continued)

2.2.4 Other debtors

Other debtors are recorded at their nominal value. They are subject to value adjustments where the recoverability is either uncertain or compromised at the closing date. These value adjustments are not continued if the reason for which the value adjustments were made has ceased to apply.

2.2.5 Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, 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.

2.2.6 Non-convertible loans

Non-convertible loans are initially recorded at their nominal amount. Subsequent to initial recognition, these Non-convertible loans are valued at their fair values which represent the fair value of the net assets (assets less liabilities excluding the Non-convertible loans) of the Company as at the balance sheet date.

Movements in the carrying amount of the non-convertible loans may vary as a result of the performance of the underlying portfolio and the fair value adjustments. In order to reflect the fair value adjustment to the Non-convertible loans, a net loss or gain allocated to the Noteholders is recorded in the profit and loss account.

2.2.7 Foreign currency translation

Accounting records of the Company are kept in US Dollar (USD).

Transactions expressed in currencies other than US Dollar are translated into US Dollar at the exchange rate effective at the time of the transaction.

Assets and liabilities are translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the financial year.

2.2.8 Derivatives

Derivatives are valued at their fair value. Unrealised gains on derivatives as at the balance sheet date are recorded under 'Investments held as fixed assets'. Unrealised losses on derivatives as at the balance sheet date are recorded under 'Amounts owed to credit institutions'. Net realised gain or loss on derivatives is recorded in the profit and loss account under 'Other interest and other financial income' and 'Interest and other financial charges' respectively.

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NOTES TO THE ACCOUNTS (Continued) YEAR ENDED 31 DECEMBER 2018

Note 3 – Financial fixed assets

A. Other loans

	31 December 2018 USD	31 December 2017 USD
Cost - opening balance	188,363,246	218,659,431
Additions during the year	119,361,423	52,354,748
Disposals during the year	(102,231,724)	(82,650,933)
Cost - closing balance	205,492,945	188,363,246
Accumulated value adjustment - opening balance	(150,185)	(23,172,903)
Fair value movement during the year	(16,197,743)	23,022,718
Accumulated value adjustment - Closing Balance	(16,347,928)	(150,185)
Net book value	189,145,017	188,213,061

B. Investments held as fixed assets

Unrealised gains on forward contracts

	31 December 2018 USD	31 December 2017 USD
Amount Bought		
USD 17,620,120		
Amount Sold		
GBP 13,760,000		
Maturity Date		
10 January 2019		
	64,610	-
	64,610	-

As at 31 December 2018, unrealised losses on open forward contracts amounted to **USD 427,933** (2017: USD 3,047,700) and have been disclosed under 'Amounts owed to credit institutions'. Refer to Note 7C.

Note 4 – Current assets

4.1 *Other receivables*

The position consists of:

	31 December 2018 USD	31 December 2017 USD
Interest receivable on financial fixed assets	1,453,544	1,194,750
Receivable for securities sold but not yet settled	118,734	2,240,044
Withholding tax receivable	14,724	10,148
Other receivables - interest	14,874	-
	1,601,876	3,444,942

4.2 *Cash at bank*

The amount of **USD 8,394,234** (2017: USD 37,257,789) is held with The Bank of New York Mellon, London Branch and **USD 9,896,213** (2017: USD 9,052,792) with BNP Paribas, Luxembourg Branch.

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NOTES TO THE ACCOUNTS (Continued) YEAR ENDED TO 31 DECEMBER 2018

Note 5 – Subscribed capital

As at 31 December 2018 the subscribed capital amounts to USD 20,000 and is divided into 20,000 shares fully paid up with a nominal value per share of USD 1.

	Subscribed capital	Legal reserve	Results brought forward	Results for the year	Total
	USD	USD	USD	USD	USD
As at 31 December 2016	20,000	115	4,479	-	24,594
Issue of subscribed capital	-	-	-	-	-
Allocation to legal reserve	-	115	(115)	-	-
Results for the financial year	-	-	-	-	-
As at 31 December 2017	20,000	230	4,364	-	24,594
Allocation of prior year results	-	-	-	-	-
Allocation to legal reserve	-	115	(115)	-	-
Results for the financial year	-	-	-	-	-
As at 31 December 2018	20,000	345	4,249	-	24,594

Note 6 – Legal reserve

Luxembourg companies are required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed. A transfer of USD 115 to legal reserve is required in respect of the year ended 31 December 2018 (31 December 2017: USD 115).

Note 7 – Non-subordinated debts

A. Non-convertible loans

	31 December 2018	31 December 2017
	USD	USD
Notes at fair value	201,016,831	220,091,741
Fair value as at 31 December	201,016,831	220,091,741

The Company (the “issuer”) issued the Loan notes in accordance with the Subscription note agreement entered into on 16 December 2013 with Clareant Multi-Strategy European Credit Fund (formerly: Alcentra Multi-Strategy European Credit Fund, “the Fund”) (the “subscriber”). The notes are issued in USD and bear a variable interest rate (2%+LIBOR).

As per clause 5.3 of the Subscription note agreement, the interest adjustment relate to the below:

- (i) the Subscriber shall determine in good faith whether the Interest paid (or to be paid) by the Issuer during the three month period ending on (and including) such date, is less than or greater than an amount (the "Target Amount") which is consistent with the profits of the accounts of the Issuer for the relevant Financial Year being equal to the Commercial Margin and the Subscriber's determination shall be binding in the absence of manifest error.
- (ii) If the aggregate Interest referred to above is (less)/greater than the Target Amount (i.e. the profit for the year), the issuer/subscriber shall pay to the subscriber/issuer an amount equal to the shortfall/excess, as applicable

Per Subscription Note Agreement between the Company and the subscriber, the final repayment date of the Loan notes is 12 months after the liquidation of the subscriber. There were no additional Loan notes issued during the year ended 31 December 2018 (2017: Nil). There were redemptions on 17 May 2018 of USD 8,500,000, 21 August 2018 of USD 6,650,000 and 30 November 2018 of USD 6,850,000 (2017: USD 12,720,000 in total). The nominal value of the notes issued as at 31 December amounted to USD 174,080,000 (2017: USD 196,080,000).

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NOTES TO THE ACCOUNTS (Continued) YEAR ENDED TO 31 DECEMBER 2018

Note 7 – Non-subordinated debts (continued)

B. Other creditors

Other creditors include the following:

	31 December 2018 USD	31 December 2017 USD
Other creditors	447,812	501,277
Payable for securities purchased but not yet settled	7,178,360	14,296,852
	<u>7,626,172</u>	<u>14,798,129</u>

C. Amounts owed to credit institutions

Amounts owed to credit institutions include the following:

Unrealised losses on forward contracts

			31 December 2018 USD	31 December 2017 USD
Amount Bought	Amount Sold	Maturity Date		
USD 75,480,793	EUR 63,790,000	12 February 2018	-	1,381,849
USD 1,816,190	GBP 1,351,000	12 February 2018	-	13,230
USD 6,748,537	GBP 5,020,000	12 February 2018	-	49,158
USD 37,772,213	EUR 31,920,000	13 February 2018	-	691,484
USD 49,368,945	EUR 41,720,000	13 February 2018	-	903,781
USD 200,607	GBP 150,000	12 February 2018	-	2,511
USD 441,173	GBP 330,000	12 February 2018	-	5,687
USD 136,870,912	EUR 119,665,000	10 January 2019	427,933	-
			<u>427,933</u>	<u>3,047,700</u>

Note 8 – Other external charges

	31 December 2018 USD	31 December 2017 USD
Administration fees	108,575	36,719
Audit fees	43,058	100,636
Directors fees	5,879	5,744
Tax fees	23,989	1,312
Tax services	29,259	-
Legal and other fees	472,215	455,181
	<u>682,975</u>	<u>599,592</u>

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NOTES TO THE ACCOUNTS (Continued) YEAR ENDED TO 31 DECEMBER 2018

Note 9 – Interest and other financial charges

	31 December 2018 USD	31 December 2017 USD
Interest paid to the Fund*	7,470,731	35,627,196
Unrealised loss on derivatives	-	9,734,799
Realised loss on derivatives	-	10,129,502
Foreign exchange movement on committed trades	-	376,706
Net foreign exchange movement on cash	186,300	-
Contribution to/from noteholders	2,925,090	-
	<u>10,582,121</u>	<u>55,868,203</u>

* The interest is paid by the Company to its parent company, Clareant Multi-Strategy European Credit Fund (formerly: Alcentra Multi-Strategy European Credit Fund, “the Fund”).

Note 10 – Other interest and other financial income

	31 December 2018 USD	31 December 2017 USD
Interest income	15,075,831	20,449,388
Net foreign exchange movements on cash	-	1,219,434
Foreign exchange movements on committed trades	456,525	-
Realised gains on investments	1,192,817	6,482,734
Unrealised gains on derivatives	2,684,378	-
Realised gains on derivatives	8,053,288	-
Contribution to/from noteholders	-	5,293,521
	<u>27,462,839</u>	<u>33,445,077</u>

Note 11 - Taxation

The Company is subject to all taxes applicable to commercial companies in Luxembourg. Pursuant to the provision of the law of 22 March 2004, the commitments to remunerate investors and other creditors are fully deductible.

Note 12 – Commitments and Contingencies

As at 31 December 2018, the Company did not have any commitments and contingencies.

Note 13 – Employees

As at 31 December 2018, the Company did not employ any personnel and consequently, no payment for wages, salaries or social securities were made.

Note 14 – Subsequent events

No events have occurred subsequent to the year end which would have material impact on the annual accounts for the year ended 31 December 2018.

Note 15 – Related party transactions

Alexandra Fantuz and Rolf Caspers who are the Managers of the Company are also directors of SANNE Group (Luxembourg) S.A. which provides administration services to the Company. There were no fees paid to the Managers in 2018 (2017: USD Nil).

Alcentra Limited is the investment manager and investment advisor of the Company. There were no fees paid to Alcentra Limited in 2018 (2017: USD Nil).