



fund2sec S.à r.l. is a private limited liability company (société à responsabilité limitée) incorporated and organised as an unregulated securitisation company (societe de titrisation non-réglementée) under the laws of Luxembourg

46, Rue des Prés | L-5316 Contern

RCS: B265552

LEI: 5299000J2N45DDNE4Y28

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BOARD OF MANAGERS AND MANAGEMENT

Registered office

46, Rue des Prés
L-5316 Contern

Board of managers

Mr. Sven ULBRICH
Ms. Nadja KNOTH
Mr. Johannes PUHR

Auditor

PricewaterhouseCoopers, Société coopérative
2, Rue Gerhard Mercator
B.P. 1443
L-2182 Luxembourg

MANAGEMENT REPORT

MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2023

To the attention of the shareholders of the company fund2sec S.à r.l.

We, the Board of Managers of fund2sec S.à r.l. („f2s“) are pleased to present the management report for the financial year ended December 31, 2023. This report provides an overview of the company's performance, key achievements, challenges, the general market/environment, and our outlook for the future.

EXECUTIVE SUMMARY:

In 2023, f2s achieved to navigate through a dynamic and challenging market environment. Despite these conditions, f2s demonstrated resilience and achieved several significant milestones. Our strategic initiatives and commitment to delivering exceptional customer service played a key role in achieving success.

RESULT FOR THE FINANCIAL YEAR 2023:

We have the pleasure in submitting to your approval the annual accounts as at December 31, 2023 of your company, established in accordance with the legal provisions.

The net result of the financial year ended on December 31, 2023 is a profit amounting to EUR 57.403,93, which shall be brought forward to the next financial year.

As the business has been developing positively and the outlook for the 2024 financial year is also positive, the going concern of the company is guaranteed.

FINANCIAL PERFORMANCE:

During the financial year 2023, f2s invested into its strategic initiative to become a leading, substantial, and „impact“ generating securitisation vehicle in Luxembourg. On December 23, 2022, f2s, acting on behalf of its Compartment 1, issued its first series up to EUR 1.000.000.000,00 microfinance fund Index Linked Notes in a denomination of EUR 100.000,00 under its Index Linked Notes and Certificates Programme, which was successfully placed and partially subscribed in the financial year 2023.

BUSINESS HIGHLIGHTS:

We are pleased to share the following key achievements for the financial year 2023:

- Expansion of our prospect and customer base and further increased market penetration through targeted initiatives.
- Strengthening of our securitisation operations and continuous improvement of customer service levels.
- Successful launch of innovative index solutions, enhancing customer experience and operational efficiency.
- Compliance with regulatory requirements and adherence to industry best practices.
- Became a member of the Luxembourg Capital Markets Association, which represents the common interests of stakeholders of the capital markets industry in Luxembourg.
- On June 27, 2023, f2s, acting on behalf of its Compartment 1, issued its second series up to EUR 100.000.000,00 microfinance fund Index Linked Notes in a denomination of EUR 1.000,00 under its Index Linked Notes and Certificates Programme;
- On December 05, 2023, f2s, acting on behalf of its Compartment 3, issued up to EUR 50.000.000,00 Water Infrastructure CAN8 Index Linked Notes in a denomination of EUR 1.000,00 under its Index Linked Notes and Certificates Programme; and
- The Base Prospectus, under which the Index Linked Notes and Certificates Programme is available, has been approved again by the Liechtenstein Financial Markets Authority on November 29, 2023 and is valid until November 29, 2024. This Base Prospectus is a succeeding Base Prospectus continuing the offer of f2s' Index Linked Notes and Certificates on the basis of a Base Prospectus which had been approved by the Liechtenstein Financial Markets Authority on December 15, 2022 and expired on November 29, 2023.

GENERAL MARKET/ENVIRONMENT OVERVIEW:

During the financial year 2023, the financial industry experienced several notable trends and challenges. The following factors influenced the market environment in which f2s operates:

- **Global economic conditions:** As of the latest information available up to now, the global economy experienced moderate growth in the financial year 2023, although uncertainties persisted due to ongoing geopolitical tensions and trade disputes.
- **Technological advancements:** Rapid advancements in technology continued to reshape the financial services landscape, driving the need for digital transformation and innovation.
- **Regulatory landscape:** Regulatory requirements and compliance expectations remained a priority, with increased focus on customer protection.

CORPORATE GOVERNANCE

With reference to the Law of December 19, 2002, on the Trade and Company Register and companies, on bookkeeping and annual accounts of companies, and amending certain legal dispositions, as amended, Article 68b is generally applicable. However, we make use of the exemption provided by Article 68b, paragraph (4), which states that points a., b., f., and g. of paragraph (1) do not apply, as we are a company that has issued only securities other than shares admitted to trading on a regulated market of a Member State. Furthermore, point d. of paragraph (1), which refers to information required by Article 10, paragraph (1), points c., d., f., h., and i. of Directive 2004/25/EC of the European Parliament and of the Council of April 21, 2004, on takeover bids, does not apply. As a result, only a statement on internal control mechanisms and risk management is required.

Due to the fact that the Board of Managers is involved in the day-to-day business of the company, and exchanges information on a daily basis, the ability to directly react to potential irregularities is ensured and the Board of Managers is able to directly assess any potential business risk. In addition, board meetings are held regularly to approve or ratify the entry into any contracts and/or discussions, create compartments and/or for other reasons that have not yet become necessary since the company has been incorporated.

Further, we have made a collective commitment to adhere to and apply to our joint venture partners, being fair-finance Asset Management Ltd, a regulated entity, and our sister companies, being f2index GmbH, an ESMA regulated index administrator, policies, where applicable. With the involvement of the Board of Managers, risks of fraud, among others, shall be limited as much as possible.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

At f2s, we recognize the importance of corporate social responsibility. In 2023, we actively participated in various CSR initiatives, focusing on fight of poverty, gender equality, and environmental sustainability. Our commitment to responsible securitisation reflects our dedication to creating a positive impact on the society.

FUTURE OUTLOOK:

Looking ahead, we remain optimistic about future leads and prospects of f2s. Key priorities for the upcoming financial year include:

- Continued investment in technology and digital transformation to enhance customer experience and drive operational efficiency.
- Expansion of our product offerings and geographic presence to capture new growth opportunities.
- Emphasis on talent development and retention to ensure a skilled and motivated workforce.
- Sustained commitment to compliance with evolving regulatory requirements.

In conclusion, f2s achieved a strong positioning and made significant progress in strategic initiatives during the financial year 2023. Despite the challenges posed by the market environment, we are confident in our ability to navigate the evolving landscape and to deliver value to our shareholders.

We extend our gratitude to our shareholders, customers, dedicated employees, and stakeholders for their ongoing support and trust in f2s.

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On behalf of the Board of Managers,



Sven ULBRICH



Nadja KNOTH



Johannes PUHR

Signed on: July 29, 2024

AUDIT REPORT



Audit report

To the Board of Managers of
fund2sec S.à r.l.

Report on the audit of the annual accounts

Our opinion

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of fund2sec S.à r.l. (the “Company”) as at 31 December 2023, 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.

What we have audited

The Company’s annual accounts comprise:

- the balance sheet as at 31 December 2023;
 - the profit and loss account for the year then ended; and
 - the notes to the annual accounts, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with the EU Regulation No 537/2014, 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 EU Regulation No 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the annual accounts” section of our report.

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

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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. We have fulfilled our other ethical responsibilities under those ethical requirements.

To the best of our knowledge and belief, we declare that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation No 537/2014.

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 our 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.

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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518*



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 483 651 512"><i>Derivative financial instruments</i></p> <p data-bbox="277 544 691 667">Refer to the accounting policies "2.2.2. Derivative financial instruments" and Note "3 Financial assets".</p> <p data-bbox="277 698 715 1070">As at 31 December 2023, the Company, on behalf of its compartment 1, owns derivative financial assets of EUR 70,6 million (under the item "Investments held as fixed assets"). Derivative financial instruments are valued at fair value and consist of a total return swap transaction, which is used to economically hedge the payment obligations under the notes issued.</p> <p data-bbox="277 1102 715 1261">The valuation of these derivatives is determined by an index. For a full description of the valuation method applied to the derivative financial instruments, we refer to note 2.2.2.</p> <p data-bbox="277 1292 715 1608">We consider the valuation of the derivatives as a key audit matter, given the magnitude of these positions and the complexity of the valuation models applied. If the estimates or assumptions used would significantly change, the resulting differences could materially affect the fair value of the derivative financial instruments.</p>	<p data-bbox="740 483 1433 544">Our audit procedures to test the valuation of the derivative financial instruments included:</p> <p data-bbox="740 575 1433 667">We gained an understanding of the valuation methodology and the processes in place with respect to the valuation of the derivative financial instruments.</p> <p data-bbox="740 698 1465 790">This included discussing with the Management and the calculation agent on the valuation process, methodology and valuation governance structure.</p> <p data-bbox="740 822 1465 882">We traced the valuation provided by the calculation agent to us with the values used in accounting.</p> <p data-bbox="740 913 1433 1005">We re-performed an independent valuation for the derivatives to assess the reasonableness of the fair value estimation.</p> <p data-bbox="740 1037 1465 1093">We assessed the adequacy of the disclosures in the annual accounts.</p>

Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the management report and the Corporate Governance Statement but does not include the annual accounts and our audit report thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the annual accounts, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Managers for the annual accounts

The Board of Managers is responsible for the preparation and fair presentation of the 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 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 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 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 an audit report 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 EU Regulation No 537/2014, 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 EU Regulation No 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism 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;



- conclude on the appropriateness of the Board of Managers' 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 audit report 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 audit report. 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

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

The Corporate Governance Statement is included in the management report. The information required by Article 68ter Paragraph (1) Letters c) and d) of the Law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended,



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

We have been appointed as “Réviseur d’Entreprises Agréé” by the Board of Managers on 5 October 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 31 July 2024

Holger von Keutz

**BALANCE SHEET AS AT
DECEMBER 31, 2023**

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494

Email : centralebilans@statec.etat.lu

RCSL Nr. : B265552

Matricule : 2022 2420 343

eCDF entry date :

BALANCE SHEETFinancial year from ⁰¹ 01/01/2023 to ⁰² 31/12/2023 (in ⁰³ EUR)

fund2sec S.à r.l.
46, Rue des Prés
L-5316 Contern

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____ 3.	109 70.618.767,43	110 _____
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 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B265552

Matricule: 2022 2420 343

	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 _____	135 70.618.767,43	136 _____
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 _____	145 70.618.767,43	146 _____
6. Other loans	1147 _____	147 _____	148 _____
D. Current assets	1151 _____	151 400.773,70	152 9.980,84
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 _____	163 383.701,76	164 585,00
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 _____	183 383.701,76	184 585,00
a) becoming due and payable within one year	1185 _____	185 383.701,76	186 585,00
b) becoming due and payable after more than one year	1187 _____	187 _____	188 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B265552	Matricule : 2022 2420 343
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	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 _____ 4.	197 _____ 17.071,94	198 _____ 9.395,84
E. Prepayments	1199 _____	199 _____	200 _____
TOTAL (ASSETS)		201 _____ 71.019.541,13	202 _____ 9.980,84

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B265552

Matricule: 2022 2420 343

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
I. Subscribed capital	1301 _____ 5.	301 _____ -27.554,21	302 _____ -84.958,14
II. Share premium account	1303 _____	303 _____ 120.000,00	304 _____ 120.000,00
III. Revaluation reserve	1305 _____	305 _____	306 _____
IV. Reserves	1307 _____	307 _____	308 _____
1. Legal reserve	1309 _____	309 _____	310 _____
2. Reserve for own shares	1311 _____	311 _____	312 _____
3. Reserves provided for by the articles of association	1313 _____	313 _____	314 _____
4. Other reserves, including the fair value reserve	1315 _____	315 _____	316 _____
a) other available reserves	1429 _____	429 _____	430 _____
b) other non available reserves	1431 _____	431 _____	432 _____
V. Profit or loss brought forward	1433 _____	433 _____	434 _____
VI. Profit or loss for the financial year	1319 _____	319 _____ -204.958,14	320 _____
VII. Interim dividends	1321 _____	321 _____ 57.403,93	322 _____ -204.958,14
VIII. Capital investment subsidies	1323 _____	323 _____	324 _____
	1325 _____	325 _____	326 _____
B. Provisions			
1. Provisions for pensions and similar obligations	1331 _____	331 _____ 137.823,73	332 _____ 40.945,13
2. Provisions for taxation	1333 _____	333 _____	334 _____
3. Other provisions	1335 _____	335 _____	336 _____
	1337 _____ 6.	337 _____ 137.823,73	338 _____ 40.945,13
C. Creditors			
1. Debenture loans	1435 _____ 7.	435 _____ 70.909.271,61	436 _____ 53.993,85
a) Convertible loans	1437 _____	437 _____ 70.843.640,72	438 _____
i) becoming due and payable within one year	1439 _____	439 _____	440 _____
ii) becoming due and payable after more than one year	1441 _____	441 _____	442 _____
b) Non convertible loans	1443 _____	443 _____	444 _____
i) becoming due and payable within one year	1445 _____ 7.	445 _____ 70.843.640,72	446 _____
ii) becoming due and payable after more than one year	1447 _____	447 _____	448 _____
2. Amounts owed to credit institutions	1449 _____ 7.	449 _____ 70.843.640,72	450 _____
a) becoming due and payable within one year	1355 _____	355 _____	356 _____
b) becoming due and payable after more than one year	1357 _____	357 _____	358 _____
	1359 _____	359 _____	360 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr. : B265552

Matricule : 2022 2420 343

	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	7. 10.000,00	380
a) becoming due and payable within one year	1381	7. 10.000,00	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	55.630,89	452 53.993,85
a) Tax authorities	1393	393	394
b) Social security authorities	1395	395	396
c) Other creditors	1397	7. 55.630,89	398 53.993,85
i) becoming due and payable within one year	1399	7. 55.630,89	400 53.993,85
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	71.019.541,13	406 9.980,84

The notes in the annex form an integral part of the annual accounts

**PROFIT AND LOSS ACCOUNT
FOR YEAR ENDED DECEMBER
31, 2023**

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
 Email : centralellans@statec.etat.lu

RCSL Nr.: B265552

Matricule : 2022 2420 343

eCDF entry date :

PROFIT AND LOSS ACCOUNT

Financial year from ⁰¹ 01/01/2023 to ⁰² 31/12/2023 (in ⁰³ EUR)

fund2sec S.à r.l.
 46, Rue des Prés
 L-5316 Contern

	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 _____ 8.	713 _____ 95.147,25	714 _____ 5.500,00
5. Raw materials and consumables and other external expenses	1671 _____ 9.	671 _____ -456.618,42	672 _____ -146.616,77
a) Raw materials and consumables	1601 _____	601 _____	602 _____
b) Other external expenses	1603 _____	603 _____ -456.618,42	604 _____ -146.616,77
6. Staff costs	1605 _____ 10.	605 _____ -42.275,73	606 _____ -63.496,17
a) Wages and salaries	1607 _____	607 _____ -37.359,25	608 _____ -56.215,00
b) Social security costs	1609 _____	609 _____ -4.916,48	610 _____ -7.281,17
i) relating to pensions	1653 _____	653 _____	654 _____ -4.500,00
ii) other social security costs	1655 _____	655 _____ -4.916,48	656 _____ -2.781,17
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 _____ 11.	621 _____ -2.143.640,72	622 _____ 0,00

The notes in the annex form an integral part of the annual accounts

RCSL Nr.: B265552

Matricule : 2022 2420 343

	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 _____
	12.	2.605.767,43	0,00
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 _____

The notes in the annex form an integral part of the annual accounts

**NOTES TO THE ANNUAL
ACCOUNTS FOR YEAR ENDED
DECEMBER 31, 2023**

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

Note 1 – General Information

fund2sec S.à r.l. (hereafter the "**Company**") was incorporated on February 25, 2022 as private limited liability company (société à responsabilité limitée) under the laws of the Grand Duchy of Luxembourg including the Luxembourg act dated August 10, 1915 on commercial companies, as amended (the "**Companies Act**"), qualifying as a securitisation company within the meaning of the Luxembourg act dated March 22, 2004 relating to securitisation, as amended (the "**Securitisation Act**") for an unlimited period of time.

The Company's registered office is established in 46, Rue des Prés, L-5316 Contern.

The Company is registered at the Luxembourg Commercial register under number R.C.S. Luxembourg B 265552.

The Company's financial year starts on January 1 ends on December 31 of each year, except for the first financial period, which started on February 25, 2022 (date of incorporation) and ended on December 31, 2022.

The Company's purpose is (i) to carry on, and serve as a vehicle for, securitisation transactions within the meaning of the Securitisation Act and/or (ii) to act as a fiduciary, in accordance with the provisions of the Luxembourg law of July 27, 2003 relating to trust and fiduciary contracts, as amended (the "Fiduciary Act"). In particular, the Company may issue, on a fiduciary basis, in its own name but at the sole risk and for the exclusive benefit of one or more investors, fiduciary instruments (in its widest sense) in accordance with the Fiduciary Act (the "Fiduciary Instruments"). To that effect, the Company may, inter alia, acquire or assume, directly or through another entity or vehicle, the risks relating to the holding or ownership of claims, receivables and/or other goods or assets (including, without limitation, securities of any kind), either movable or immovable, tangible or intangible, and/or risks relating to liabilities or commitments of third parties or which are inherent to all or part of the activities undertaken by third parties, by issuing securities (valeurs mobilières) of any kind whose value or return is linked to these risks or, to the extent permitted by the Securitisation Act, all other types of financial instruments whose value or return is linked to these risks.

The Company may also enter into any financial, commercial or other transactions and grant to any company or entity that forms part of the same group of companies as the Company or is affiliated in any way with the Company, including companies or entities in which the Company has a direct or indirect financial or other kind of interest, any assistance, loan, advance or grant in favour of third parties any security or guarantee to secure the obligations of the same, as well as borrow and raise money in any manner (save by way of public offer) and secure by any means the repayment of any money borrowed.

Note 1 – General Information (continued)

The Company may also acquire, sell, borrow, lend, rent or otherwise dispose of movable or immovable properties of all kinds, providing that the Company has obtained corresponding authorisations where required by any applicable law.

Finally, the Company may take any action and perform any operation which is, directly or indirectly, related to its purpose in order to facilitate the accomplishment of such purpose.

Based on the criteria defined by Article 1711-4 of the Luxembourg law of August 10, 2015, as amended, the Company is not in scope the obligation to draw up consolidated accounts and a consolidated management report for the period ended December 31, 2023.

Multi-compartments

In accordance with the Company's articles of incorporation, the Board of Managers is authorised to create one or more compartments, each corresponding to a distinct part of the Company's assets and liabilities.

In accordance with the Company's articles of incorporation, the Board of Managers is authorised to create one or more fiduciary estates, each of which is separate and distinct from the Fiduciary's personal estate.

Since the incorporation of the Company and including the financial year 2023, a total of two active compartments have been established. However, it should be noted that only the amounts that have been subscribed are shown in the 2023 accounts, as some notes have been issued but not yet subscribed in 2023.

Note 2 – Summary of significant accounting policies

2.1 Basis of preparation

The annual financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements, whereby the company's notes are valued at historical cost, except for the use of the fair-value option for derivative financial instruments.

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

Note 2 – Summary of significant accounting policies (continued)

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. 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.

The war in Ukraine

The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. Nevertheless, at the date of these financial statements the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation. In the opinion of the Board of Managers, no other matters or events have occurred subsequent to December 31, 2023 which could materially affect the Annual Accounts and related disclosures for the year ended December 31, 2023.

2.2 Significant accounting policies

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

2.2.1 Financial assets

Historical cost model

Valuation at purchase price:

Other loans are valued at purchase price/nominal value (loans and claims), including the expenses incidental thereto.

In case of a durable depreciation in value according to the opinion of the Board of Managers, value adjustments are made in respect of financial assets, so that they are valued at the lower figure to be attributed to them at the balance sheet date. These value adjustments are not continued if the reasons for which the value adjustment was made have ceased to apply.

2.2.2 Derivative financial instruments

The Company and its respective swap counterparty has been entered into a total return swap transaction pursuant to which the swap counterparty will transfer to the Company the financial and economical exposure associated to the index in respect of the notional amount, which is defined in the respective documentation.

Note 2 – Summary of significant accounting policies (continued)

According to the underlying documentation, the net asset values of the underlying funds for the calculation of the index are published by the respective regulated fund administrators. If no current net asset value is available on the calculation day, the most up-to-date net asset value will be used. If the fund shares are traded on an official exchange and in the case a net asset value is unavailable, the last trading price of the fund share on the exchange multiplied by the number of fund shares outstanding will be used. Under certain conditions, it might be necessary to adjust the index between two rebalancing dates. Such an adjustment must be made if a corporate action affecting one or more index components occurs. This kind of adjustment may have an impact on the weighting of index components or their number. An index administrator who is responsible for the aforementioned index calculation, publishes a valuation of the index on a regular basis.

The methodology and assumptions used in the valuation are consistent with accepted financial practices and are regularly reviewed to ensure accuracy and reliability. Our approach ensures that the reported fair value of swaps accurately reflects their market value, providing a true and fair view of our financial position.

2.2.3 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4 Prepayment

This asset item includes expenditures incurred during the financial year but relating to a subsequent financial year.

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.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, 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 the date on which they will arise.

Note 2 – Summary of significant accounting policies (continued)

2.2.6 Provision for taxation

Provisions for taxation corresponding to the difference between the tax liability estimated by the Company and the advance payments for the financial years for which the tax returns has not yet been filed are recorded under the caption "Tax debts".

2.2.7 Foreign currency translation

The Company maintains its books and records in EUR.

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

Formation expenses and long-term assets expressed in currencies other than EUR are translated into EUR at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historic exchange rates.

Other assets and liabilities are translated separately at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. Solely the unrealised exchange losses are recorded in the profit and loss. The exchange gains are recorded in the profit and loss account at the moment of their realisation.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealised losses are recorded in the profit and loss account and the net unrealised exchange gains are not recognised.

2.2.8 Creditors

Creditors are recorded at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown as an asset and is written off over the period of the debt on a linear method.

2.2.9 Interest receivable and payable

Interest receivable and payable are recorded on an accrual basis.

2.2.10 Equalisation provision

Due to the limited recourse nature of the securities issued, losses during the year as a result from sales, default, lower market values or cost may reduce the value of the securities issued. Such shortfalls are normally borne by security holders (or subordinated loan lenders, if any) in inverse order of the priority

Note 2 – Summary of significant accounting policies (continued)

of payments. Consequently, a provision for diminution in value will be made and deducted from the amount repayable of the securities issued and subordinated loans and booked in the profit and loss account as "Equalisation provision" under "Other operating income". A reversal of the equalisation provision would lead to "Other operating expenses" accordingly.

Similarly, the amount repayable of a debt is increased if the reimbursement value is directly linked to the value of the related assets and if it is likely that cash flow from the related assets exceeds the amount received. In this case, the Company has increased the book value of the debt and recognised an unrealised loss as "Equalisation provision" included under "Other operating charges" in the profit and loss account.

2.2.11 Value adjustments

Value adjustments are deducted directly from the related asset, using the net book value disclosure.

Note 3 – Financial assets

On February 27, 2023, the Company has entered into a swap agreement linked to a microfinance index acting on behalf of Compartment 1. To eliminate the counterparty risk, the EUR 68.013.000,00 in corresponding amount were invested into the index components. The custody account is and pledged as collateral in favour of the Compartment 1. The swap agreement is used on a continuing basis and for purpose of undertaking's activity.

Note 3 – Financial assets (continued)

The movements for the period for the investments held as fixed assets are as follows:

	Compartment 1	Total 2023	Total 2022
	EUR	EUR	EUR
Gross book value – opening balance	--	--	--
Additions for the period	68.013.000,00	68.013.000,00	--
Disposals for the period	--	--	--
Gross book value – closing balance	68.013.000,00	68.013.000,00	--
Accumulate value adjustments opening balance	--	--	--
Allocations for the period	2.605.767,43	2.605.767,43	--
Reversals for the period	--	--	--
Accumulate value adjustments closing balance	2.605.767,43	2.605.767,43	--
Net book value – closing balance	70.618.767,43	70.618.767,43	--
Net book value – opening balance	--	--	--

Note 4 - Cash at bank and in hand

The bank account balance is as follows:

	31/12/2023	31/12/2022
	EUR	EUR
Cash at bank General compartment	10.653,06	9.395,84
Cash at bank Compartment 1	6.418,88	0,00
Total	17.071,94	9.395,84

Note 5 – Subscribed capital

The subscribed capital amounts to EUR 120,000.00 and is divided into 1,000 shares with a nominal value of EUR 120.00 each.

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.

Note 6 - Provisions

As at December 31, 2023, the operating provision of the Company are as follows:

	31/12/2023 EUR	31/12/2022 EUR
General compartment	31.747,75	30.637,80
Compartment 1	87.583,46	10.307,33
Compartment 2	0,00	0,00
Compartment 3	18.492,52	0,00
Total	137.823,73	40.945,13

Note 7 – Creditors

Amounts due and payable for the accounts shown under “Creditors” are as follows:

	31/12/2023 EUR	31/12/2022 EUR
Becoming due and payable within one year		
Amounts owed to affiliated undertakings	10.000,00	0,00
Other miscellaneous debts	55.630,89	53.993,85
Total	65.630,89	53.993,85

The debenture loans are compromised as follows:

	31/12/2023 EUR	31/12/2022 EUR
Becoming due and payable more than one year		
Debenture loans (notional)	68.700.000,00	0,00
Total issued	68.700.000,00	0,00
Equalisation provision		
Accumulated equalisation provision - opening balance	0,00	0,00
Equalisation provision adjustment of the year	2.143.640,72	0,00
Accumulated equalisation provision - closing balance	2.143.640,72	0,00
Net book value	70.843.640,72	0,00

Note 8 – Other operating income

Other operating income is as follows:

	2023 EUR	2022 EUR
Other operating income Compartment 1	95.147,25	0,00
Other operating income General Compartment	173.956,44	0,00
Consolidation elimination	-173.956,44	0,00
Total	95.147,25	0,00

Note 9 – Other external expenses

Other operating expenses are as follows:

	2023 EUR	2022 EUR
Audit fees	25.928,00	13.920,00
Other external expenses	430.690,42	127.196,77
Total	456.618,42	141.116,77

As a result of the application of the detailed profit and loss account for the year ended December 31, 2023, the other external expenses is now shown in the position “Other external expenses” and not like in the previous year under the position “Gross profit or loss”.

Note 10 – Staff costs

The Company has one employee with a permanent contract during 2023.

Note 10 – Staff costs (continued)

Staff costs are as follows:

	2023 EUR	2022 EUR
Base wages	-37.359,25	-51.090,00
Incentives, bonuses and commissions	0,00	-5.125,00
Social security on pensions	0,00	-4.500,00
Other social security costs (including illness, accidents)	-4.916,48	-2.781,17
Total	-42.275,73	-63.496,17

Note 11 – Other operating expenses

The other operating expenses are as follows:

	2023 EUR	2022 EUR
Equalisation provision on notes	-2.143.640,72	0,00
Total	-2.143.640,72	0,00

Note 12 - Value adjustments in respect of financial assets and of investments held as current assets

Value adjustments in respect of financial assets and of investments held as current assets are the allocations to fair-value adjustments on securities held as fixed assets with an amount of EUR 2.605.767,43.

Note 13 – Taxation

The Company is a fully taxable company subject to all Luxembourg direct annual taxes applicable to securitisation vehicles. The Company may be subject to Luxembourg VAT in respect of fees charged for certain services rendered to the Company.

Note 14 - Advances and loans granted to members of the management and supervisory bodies

No advances and loans are granted to the members of the management and supervisory bodies during the year ended December 31, 2023.

Note 15 - Off-balance sheet commitments

As of December 31, 2023, the Company has no Off-balance sheet commitments other than the total return swap mentioned in note 3.

Note 16 – Subsequent events

On December 05, 2023, up to EUR 50,000,000 6.25% Water Infrastructure CAN8 Index Linked Notes have been issued in compartment 3 and listed on the Dusseldorf stock exchange; in accordance with the final terms there have been multiple subscriptions from February 2024 to June 2024. Further, the first interest payment on June 17, 2024 has already successfully taken place.

On May 31, 2024, up to USD 50,000,000 7.00% Water Infrastructure US9 Index Linked Notes have been issued in compartment 4 and listed on the Frankfurt stock exchange; in accordance with the final terms there have been multiple subscriptions from June 2024 to July 2024.

No other matters or events have occurred subsequent to December 31, 2023 which would materially affect the annual accounts and related disclosures for the period ended December 31, 2023.

NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2023

Note 17 – General Compartment and Compartment Balance Sheet

Notes	fund2sec S.à r.l. General Compartment		fund2sec S.à r.l. Compartment 1		fund2sec S.à r.l. Compartment 2		fund2sec S.à r.l. Compartment 3		Combined	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
ASSETS										
A. Fixed assets										
I. Financial assets										
Investments held as fixed										
1. assets	0,00	0,00	70.618.767,43	0,00	0,00	0,00	0,00	0,00	0,00	70.618.767,43
C. Current assets										
I. Debtors										
1. Other debtors										
a) becoming due and payable within one year	42.811,76	585,00	340.890,00	0,00	0,00	0,00	0,00	0,00	0,00	383.701,76
II. Cash at bank and in hand	10.653,06	9.395,84	6.418,88	0,00	0,00	0,00	0,00	0,00	0,00	17.071,94
TOTAL (ASSETS)	53.464,82	9.980,84	70.966.076,31	0,00	0,00	0,00	0,00	0,00	0,00	71.019.541,13
CAPITAL, RESERVES AND LIABILITIES										
A. Capital and reserves										
1. Subscribed capital	120.000,00	120.000,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	120.000,00
2. Legal reserve	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
3. Profit or loss brought forward	-144.059,34	0,00	-60.898,80	0,00	0,00	0,00	0,00	0,00	0,00	-204.958,14
4. Profit or loss for the financial year	22.927,59	-144.059,34	60.898,80	-60.898,80	-1.464,97	0,00	-24.957,49	0,00	0,00	57.403,93
B. Provisions										
1. Other provisions	31.747,75	30.637,80	87.583,46	10.307,33	0,00	0,00	18.492,52	0,00	0,00	137.823,73
C. Creditors										
1. Debenture loans										
a) Non convertible loans										
becoming due and payable after more than one year	0,00	0,00	70.843.640,72	0,00	0,00	0,00	0,00	0,00	0,00	70.843.640,72
2. Other creditors										
becoming due and payable within one year	12.848,82	3.402,38	34.852,13	50.591,47	1.464,97	0,00	1.464,97	0,00	0,00	50.630,89
3. Other creditors										
becoming due and payable after more than one year	10.000,00	0,00	0,00	0,00	0,00	0,00	5.000,00	0,00	0,00	15.000,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)	53.464,82	9.980,84	70.966.076,31	0,00	0,00	0,00	0,00	0,00	0,00	71.019.541,13

Note 18 – General Compartment and Compartment Profit and Loss Account

Notes	fund2sec S.à r.l. General Compartment		fund2sec S.à r.l. Compartment 1		fund2sec S.à r.l. Compartment 2		fund2sec S.à r.l. Compartment 3		Consolidation elimination		Combined	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2023
4. Other operating income	173.956,44	0,00	95.147,25	0,00	0,00	0,00	0,00	0,00	-173.956,44	0,00	95.147,25	
5. Raw materials and consumables and other external expenses												
b) Other external expenses	-107.777,24	-80.217,97	-496.375,16	-60.898,80	-1.464,97	0,00	-24.957,49	0,00	173.956,44	0,00	-456.618,42	
6. Staff costs												
a) Wages and salaries	-37.359,25	-51.090,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-37.359,25	
b) Social security costs												
i) other social security costs	-4.916,48	-7.281,17	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-4.916,48	
c) Other staff costs	0,00	-5.125,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
8. Other operating expenses	0,00	0,00	-2.143.640,72	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-2.143.640,72	
11. Other interest receivable and similar income												
b) other interest and similar income	4,05	114,30	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	4,05	
13. Value adjustments in respect of financial assets and of investments held as current assets												
12.	0,00	0,00	2.605.767,43	0,00	0,00	0,00	0,00	0,00	0,00	0,00	2.605.767,43	
14. Interest payable and similar expenses												
b) other interest and similar expenses	-444,93	-459,50	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-444,93	
16. Profit or loss after taxation	23.462,59	-144.059,34	60.898,80	-60.898,80	-1.464,97	0,00	-24.957,49	0,00	0,00	0,00	57.938,93	
17. Other taxes not shown under items	-535,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-535,00	
18. Profit or loss for the financial year	<u>22.927,59</u>	<u>-144.059,34</u>	<u>60.898,80</u>	<u>-60.898,80</u>	<u>-1.464,97</u>	<u>0,00</u>	<u>-24.957,49</u>	<u>0,00</u>	<u>0,00</u>	<u>0,00</u>	<u>57.403,93</u>	

