

Rating Object:

Bearer Notes with the ISIN XS1909136787 issued by Real Assets Holding S.C.S. SICAV-RAIF (company) acting on behalf of its Sub-Fund II (issuer)

Rating:

BBB-

Rating Outlook / Addition:

Outlook negative

Rating Information:

Initial Issue Date	14/12/2018
Jurisdiction Rating Object	German law
Exchange	--
Legal Form	SCS - Société en Commandite Simple
Issue Volumen	30,000,000 EUR
Seniority	Non-subordinated
Collateralisation	Unsecured
Credit Enhancement	Available
Legal Maturity	31/12/2042
Coupon	4.0% p.a.
Coupon Period	Annually
Coupon Type	Fix, non-deferrable
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Rating Rationale:

Object of this rating are the MSCIF Notes (rating object) issued by Real Assets Holding S.C.S. SICAV-RAIF (company) acting on behalf of its Sub-Fund II (issuer). The issuer invests the proceeds indirectly in the form of equity in a portfolio of private infrastructure assets in Europe. The investments will be made through Macquarie Super Core Infrastructure Fund S.C.S. (investment vehicle, IVV). The relevant manager is Macquarie Infrastructure and Real Assets (Europe) Limited. The CRA rating of BBB-/negative represents a highly satisfactory level of credit quality and a low to medium investment risk.

The underlying rating was suspended by Creditreform Rating AG (CRA) on 29/09/2021 in connection with an investment compliance issue flagged to CRA in July 2021. Background was an accidental distribution of subscribed capital of EUR 572k by the issuer, being in non-compliance with the transaction documentation of the rating object. As CRA did not receive any final documentation confirming the cure of such breach following several queries, the rating action took place. Since then, the subscribed capital of the issuer has not been replenished to the compliant level. Instead, an amount of EUR 512k was allocated to the share premium account. No dividend was paid to LP shareholders since the previous rating action. Besides, following review of the audited financial statements 2021 of the company, CRA identified certain inconsistencies concerning the outstanding amounts of subscribed capital and LP share units. Therefore, CRA requested a management confirmation that was provided on 24/11/2022, in which the servicer confirmed that such erroneous data was due to a typo mistake.

Compared to the previous rating action, CRA assesses the structural risk of the underlying transaction slightly reduced. While the total equity position of the issuer still has not been fully replenished to the compliant level, the equity ratio of the issuer has increased to 46%. In addition, CRA expects that recently announced capital distributions from the IVV result in early amortisations of the principal of the notes, which will further improve the credit enhancement of the structure. However, while the aforementioned effects have partly mitigated structural risk of the underlying transaction, CRA is very concerned about certain erroneous data identified during the review of the issuer-related documents provided for the rating process as well as partially long waiting times for replies to follow-up questions.

The economic conditions in Europe have markedly deteriorated over recent quarters, in particular due to the implications from the war in Ukraine, resulting in high levels of inflation as well as a tightening of monetary policy. With regard to the analysed portfolio, a continued increase of interest rates could result in potential valuation adjustments. Based on its track record, CRA expects that the manager has the capacities and competencies to reach its prospected returns. Overall, CRA assesses operational risks moderate.

With three investments closed (Southern Water, HEDNO, Thyssengas) and one additional transaction signed (NGG), the visibility of the final portfolio structure of the IVV has clearly improved since Q3 2021. However, while blind pool risks have been reduced, the current portfolio is characterised by a significantly lower credit quality as compared to the assumptions made by CRA in the previous ratings. Accordingly, the quantitative results of the simulation performed by CRA have deteriorated, which is also due to the remaining add-on commitment by the LP shareholders, which has turned out to be much lower than previously expected by CRA.

Overall, CRA can resume a rating of BBB- for the rating object, containing a negative outlook, which is particularly due to the lower than expected credit quality of the portfolio in-light of the deteriorating economic environment as well as concerns regarding the poor issuer-related data quality provided for the rating process. In order to secure the investor's expectations regarding minimum rating requirements as specified in the transaction documentation, the issuer might consider to implement further improvements in terms of credit enhancing measures for the rating object. Besides, a proactive provision of accurate documents in a timely manner would facilitate the upcoming monitoring process of the rating.

Primary Key Rating Factors:

- (+) Based on pro-rata drawdown of 40% equity capital, the transaction foresees structural credit enhancement, currently amounting to 46%
- (+) Credit enhancing effects from a liquidity cushion as well as potential early amortisation payments
- (+) Long-term track record of the asset manager
- (-) Implicit subordination of the rating object due to indirect investment in equity instruments by the issuer
- (-) Moderate diversification of the target portfolio consisting of nine investments
- (-) Deteriorated credit quality of the current portfolio compared to CRA assumptions in previous years
- (-) Poor issuer-related data quality provided for the rating process

Ratings Sensitivities:

Best-case scenario: In this scenario, we stressed (ceteris paribus) the expected return of portfolio investments by an amount of +0.5 percentage points, resulting in a rating result of BBB.

Worst-case scenario: In this scenario, we stressed (ceteris paribus) the expected return of portfolio investments by an amount of -0.5 percentage points, resulting in a rating of BB+.

ESG-Criteria:

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing the rating object. In the present case, ESG criteria, taken as a whole, have no significant impact on the rating. Individual factors with a key rating influence were not identified.

Latest Rating Date / Disclosure to Rated Entity / Maximum Validity:

01/12/2022 / 01/12/2022 / 31/12/2042

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

Initial Rating Date:

14/12/2018 / BBB / Outlook stable

Status of Solicitation:

The rating is a solicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: Yes

With Access to Internal Documents: Yes

With Access to Management: Yes

Notes:

This document is a CRA Press Release. The CRA Press Release outlines significant rating-relevant changes compared to CRA's most recent rating action. It immediately follows that the assigned rating must not be limited to the motivators mentioned in the CRA Press Release. Instead, a comprehensive acknowledgement of all explanations provided in previous reports, other forms of documentation, rating updates and, in particular, the CRA initial rating report is indispensable. At this point, CRA refers the reader to these forms of documentation, rating updates and reports.

Regulatory Requirements and Legal Disclosures :

Creditreform Rating AG was mandated on 17/07/2018 by Universal-Investment GmbH, acting for VZN-Universal-Fonds to conduct a rating for the bearer notes under German law, issued by Real Assets Holding S.C.S. SICAV-RAIF, Sub-Fund II. This is a public rating which is regulatory applicable according to EU Regulation 1060/2009 (CRA-Regulation).

The rating was conducted on the basis of Creditreform Rating's "Issue Ratings" and "Technical Documentation - Portfolio Loss Distribution" in conjunction with Creditreform's basic document "Rating Criteria and Definitions".

Important sources of information in the context of the rating were, in addition to the submitted documents, a due management call on 27/05/2021. The submitted documents and information provided by Macquarie or rather the Issuer were sufficient to meet the requirements of Creditreform Rating AG's rating methodology.

A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html>

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document "The Impact of ESG Factors on Credit Ratings", which is available on the homepage under the following link:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html>

This rating was carried out by analysts Dominik Klunder (Lead), Jan Löckenhoff and Paul Zinn, all located in Neuss/Germany. The function of Person Approving Credit Ratings (PAC) was performed by Sascha Pomorin.

Closing of the transaction occurred on 07/12/2018. The rating is based on the portfolio information and transaction documentation as of 24/11/2022, as provided by Macquarie or the Issuer.

The issuer or all relevant parties have examined the rating report prior to publication and were provided with at least one full working day to appeal the rating committee decision and provide additional information. The rating decision was not amended following this examination.

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

Conflicts of Interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

Rules on the Presentation of Credit Ratings and Rating Outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee" policy, all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants
2. Transaction documents
3. Issuance documents

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the CRA website. Furthermore CRA considers satisfactory the quality and extent of information available on the rated entity. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

This rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

The "Basic Data" information card or the press release published on Creditreform Rating's website indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions, such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated including any rating outlooks is indicated clearly and prominently in the "Basic Data" card or in the press release published on Creditreform Rating's website as a "rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within „Basic data“ information card Creditreform`s basic document "Rating Criteria and Definitions".

In accordance to Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website:

<https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform`s default rates are available in the credit rating methodologies disclosed on the website. Further information can also be found on the CRA website in the document "Rating Criteria and Definitions".

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