

# BLUE LIKE AN ORANGE CAPITAL US LLC

## Brochure on Form ADV Part 2A

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This Brochure provides information about Blue Like an Orange Capital US LLC and its qualifications and business practices. If you have any questions about its contents, please call + 1 (202) 437-5214 or e-mail [info@blueorangecapital.com](mailto:info@blueorangecapital.com).

The information in this Brochure has not been approved or verified by the Securities and Exchange Commission ("SEC") or by any state securities authority. Registration of an investment adviser does not imply any level of skill or training.

More information about us is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This is the annual amendment to our Brochure, filed since our last Brochure dated December 1, 2023. Since we last filed our annual amendment, we reported the following material change:

- We moved our office, in the same building but to different premises.

We have the following change to report.

- Currently, our regulatory assets under management (“RAUM”) are \$455,390,078.

We will amend this Brochure when a material change occurs.

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## Item 4 – Advisory Business

### **Who we are**

Blue like an Orange Capital US LLC (“BlueOrange”, “our” or “we”) is a Delaware limited liability company. Our office is in Washington, DC. In September 2022, we opened a branch office in Mexico City. We are a subsidiary of Blue like an Orange SAS (“BlueOrange SAS”), a French holding company and a Related Person. BlueOrange SAS is owned by certain of our related persons, as disclosed in our Form ADV Part 1 Schedule A. AXA group (“AXA”), through AXA Impact Fund, an unaffiliated minority shareholder, has a board member in BlueOrange SAS.

Blue like an Orange Gestora de Recursos Ltda (“BlueOrange Gestora”), a subsidiary of BlueOrange SAS, is a Brazilian company that provides us with research on local market issues that are relevant to our activities (sources of investment opportunities in Brazil) and assistance in monitoring realized investments. BlueOrange Gestora is regulated by the securities market authority in Brazil, Comissão de Valores Mobiliários (“CVM”). Blue like an Orange Capital France SAS (“BlueOrange France SAS”), also a subsidiary of BlueOrange SAS, is a French company that provides services to Blue like an Orange Sustainable Capital Fund GP S.à r.l. (“Fund GP”) in relation to marketing of sub-funds (“Sub-Funds”) and relations with investors. Both are Related Persons, disclosed in our Form ADV Part 1.

Mr Badré, Mr Kaldany and Ms Yannakis are our Managing Partners and members of our management team (“Management” or “Management Team”). Mr Badré, Mr Kaldany, Chief Investment Officer (“CIO”) and deputy Chief Compliance Officer (“deputy CCO”), Ms Yannakis, CLO and CCO, Cristina Penteado, Managing Director and Head of Brazil, and Mauricio Orellana, Managing Director serve on our Investment Committee (“IC”). The roles performed by these persons are discussed herein, as are the conflicts of interest arising from these and the means used to address them.

### **What we do**

We provide non-discretionary investment advisory services to our clients, which are Sub-Funds of Blue like an Orange Sustainable Capital Fund SICAV-SIF SCS, an umbrella fund (“Fund”), discussed below. The advice and recommendations that we generate go to FundRock LIS S.A. (“FundRock LIS”), a Luxembourg *société anonyme*, under a non-discretionary investment advisory agreement (“Advisory Agreement”). FundRock LIS is authorized and supervised by the Luxembourg *Commission de Surveillance du Secteur Financier* (“CSSF”) as an alternative investment fund manager (“AIFM”) under the Luxembourg Law of 12 July 2013 and the EU Alternative Investment Funds Directive. FundRock LIS is the AIFM to the Fund. We make recommendations to FundRock LIS, who, in turn, acts upon those and causes a Sub-Fund to make a loan. The advice that we provide to FundRock LIS is used for the Sub-Funds, not for FundRock LIS itself.

### **The Fund, Sub-Funds and the General Partner**

The Fund has an umbrella structure and currently consists of three Sub-Fund(s), one of which is a feeder fund. The Fund’s investment objective is to provide attractive risk-adjusted, market-level financial return to achieve sustainable development from capital invested in eligible assets for the benefit of its investors while reducing investment risks through diversification. Each Sub-Fund has its own pool of assets that are or will be invested in accordance with the investment objective, investment policy and investment restrictions applicable to that Sub-Fund.

The Fund general partner is Blue like an Orange Sustainable Capital Fund GP S.à r.l., a Luxembourg *société à responsabilité limitée* ("Fund GP"). The Fund GP has the power and authority to manage the business and affairs of the Fund and its Sub-Funds. It is a Related Person and subject to our Code of Ethics ("Code"), which is discussed in Item 11. Mr Badré and Ms Yannakis are Managers of the Fund GP. Due to a CSSF requirement, Christian Hertz, Managing Director of FundRock LIS, is a Manager of the Fund GP. The Fund GP is not an AIFM.

There are three Sub-Funds; of these, two make loans/investments and one is a feeder fund.

- Blue like an Orange Sustainable Capital Latin America Fund I ("Sub-Fund I") seeks to achieve risk-adjusted market-level financial returns through sustainable development investing in companies and projects that serve the social, economic and environmental needs for entrepreneurs and businesses in Latin America and the Caribbean. Lending takes the form of mezzanine debt and debt securities, including but not limited to convertible bonds, high yield debt, warrants, hybrids and similar instruments, such as certain equity-kickers. Sub-Fund I invests opportunistically in senior debt investments with a risk/return profile consistent with Sub-Fund I's stated overall risk/return profile. With the final closing completed in May 2020, a total amount of \$203.6m was raised for Sub-Fund I. To date, close to 97% of the accepted commitments were drawn. Sub-fund I has committed to sixteen investments. One of them was fully paid back.
- Blue like an Orange Sustainable Capital Latin America Fund II ("Master Fund II" or "Sub-Fund II") has an investment strategy similar to Sub-Fund I with two main differences. First, Sub-Fund II is able to invest up to 20% of its net assets in Emerging Markets outside Latin America and the Caribbean. Second, it is able to acquire and/or hold equity securities or interests in target companies in an amount not more than 10% of its net assets. In order to avoid conflicts of interest, in no event will equity instruments be made in a company where a Sub-Fund has invested or intends to make a loan. After the fourth closing completed on May 25, 2023, a total of \$251.8 was raised, of which \$216.4m has been accepted; these figures include the contribution of Blue like an Orange Sustainable Capital Latin America Feeder Fund II (see below). As at December 31, 2023, 69.10% of the accepted commitments are drawn. Sub-fund II has committed to 12 investments.
- Blue like an Orange Sustainable Capital Latin America Feeder Fund II ("Feeder Fund II" or "Sub-Fund III"), incorporated in Luxembourg, aims to achieve its investment objective by pursuing a master-feeder strategy. It is not for U.S. investors. Feeder Fund II will invest not less than 85% of its total net assets in Sub-Fund II. Up to 15% of its total net assets may be reserved for liquidity needs, currency hedging, as a margin to buffer for currency fluctuations or any other fees and expenses. After the third closing was completed on May 25, 2023, a total of € 65.1m (\$70.6 m)<sup>1</sup> was raised. As of the date of this Brochure, all of its assets are invested in Master Fund II. We do not provide investment recommendations to FundRock Lis in respect of Feeder Fund II.

Upon receipt of funds from capital calls from investors and prior to investment, a Sub-Fund reserves the right to invest such cash in one or more money market funds.

As of the date of this Brochure, we have RAUM of \$455,390,078.

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<sup>1</sup> Using the European Central Bank's EUR/USD exchange rate as of March 5, 2024.

**How we work**

We engage in the following activities on a continuous and regular basis:

- source, research, identify, evaluate and propose investment opportunities, through our own network or the network of IDB Invest or Co-Investment Partners;
- perform due diligence in connection with such potential investments;
- research and formulate advice and recommendations;
- generate advice and recommendations and provide these to FundRock LIS;
- negotiate but not agree (this is a role of FundRock LIS) investment terms for loans;
- provide ongoing and active review and oversight of investments;
- monitor the performance of investments; and
- report on the social development impact of the investments of each Sub-Fund.

We work on our own, and with Inter-American Investment Corporation (“IDB Invest”) and other co-investment partners (“Co-Investment Partners”), source opportunities for a Sub-Fund through the network of existing clients of IDB Invest and the Co-investment Partners. We and the Fund GP are not affiliated with IDB Invest, the Co-Investment Partners or their clients. IDB Invest acts as the lender of record to make mezzanine loans and a Sub-Fund buys participations in such loans with a Sub-Fund buying the majority portion of such loans.

We have no power to exercise discretion or enter into any transaction or agreement for or on behalf of a Sub-Fund. We cannot make investment decisions for a Sub-Fund.

We will, from time to time, be presented with investment opportunities that fall within the investment objectives of Sub-Funds I and II. This allocation issue is a conflict of interest, particularly when the availability of opportunities is limited or where, in compliance with our Code, a Supervised Person (a director, officer or employee of us) has an investment. We will allocate the investment opportunities according to each Sub-Fund’s stated investment objectives (and restrictions) *pro rata* based on capital commitments among the Sub-Funds. However, it may not be feasible to allocate such opportunities as such; in this event, we would allocate on a basis that is reasonably determined in good faith to be fair and reasonable taking into account all factors deemed relevant, including the sourcing of the transaction, the nature of the investment focus, the relative amounts of capital available for investment, the nature and extent of involvement in the transaction on the part of the respective teams of investment professionals and other considerations deemed relevant in good faith. It may be the case that the allocation process is bound by affirmative obligations to make certain investments for clients or accounts that it manages or advises before or without offering such opportunities to a Sub-Fund. There can be no guarantee under this policy that a Sub-Fund will receive any allocation of a particular investment opportunity, even where such opportunity fits within a Sub-Fund’s investment strategy.

**Co-investments**

The Fund GP would in its sole discretion give investors in a Sub-Fund (other than the Management Team), direct or indirect beneficial owners of BlueOrange or the Fund GP and unaffiliated third parties, an opportunity to co-invest alongside a Sub-Fund, IDB Invest and the Co-Investment Partners in investments on such terms (including with respect to fees and expenses) as the Fund GP in its sole discretion agrees with such parties. The Management Team, BlueOrange, the AIFM, the Fund GP and any of their affiliates are not permitted to coinvest with a Sub-Fund.

As provided for in the Fund and Sub-Funds co-investment policy, a co-investment opportunity is available first to an investor in a Sub-Fund (other than a member of the Management Team) and only then to a third party.

The Fund GP may allocate a larger proportion of any co-investment opportunity to investors of a class of a Sub-Fund with a higher minimum commitment amount, and a smaller proportion to investors of a class with a smaller minimum commitment amount, it being understood that, within each class, any co-investment opportunity will be offered on equal terms to the investors of that class. No investor of any given class will be treated more favorably than any other investors of the same class. Any excess co-investment opportunity not initially taken up by investors in a Sub-Fund will be allocated in the discretion of the Fund GP.

Each investor participating in a co-investment opportunity will be charged its pro rata share of: (a) the fees, costs and expenses of establishing, maintaining, operating, managing, protecting and winding-up any investment holding entity (including, but not limited to, any holdings partnerships or blocker entities as may from time to time be established by the Fund GP), including any subsidiary or intermediate vehicle, including if necessary employee costs of such entity (and, for the avoidance of doubt, no such employee will provide any services to the Fund GP or us); (b) any and all transaction and administration fees, expenses and taxes (including, without limitation, brokerage, due diligence, investment banking, financial advisory, legal, accounting, surveyor and travel fees (which may include non-commercial travel, only to the extent no reasonable alternative mode of transportation is available) and accommodation expenses and other professional fees) with respect to the acquisition, monitoring or disposal, or the proposed disposal, of the investment and related expenses in connection therewith; and (c) accounting, due diligence, legal, and other service providers in relation to the investment. Investors in a Sub-Fund will bear all broken deal expenses (including the portion attributable to any co-investment partners who may have invested in such co-investment opportunity were it to have been made), to the extent not otherwise reimbursed.

### **Investments by the Management Team and our affiliates**

The Management Team and direct or indirect beneficial owners of BlueOrange or the Fund GP will invest in a Sub-Fund on the same terms as unaffiliated third-party investors in that Sub-Fund.

The Management Team is not eligible for any co-investment opportunities and will not pay management fees and general partner reimbursements or performance fees, referred to in this Brochure as Carried Interest (defined below), related to their investments in a Sub-Fund, and will not have voting rights.

Notwithstanding this, the members of the Management Team are indirect owners of BlueOrange Special Limited Partner SCSp (“Special Limited Partner”), a Luxembourg SCSp, which has a *de minimis* (0.2%) ownership investment in the Fund and, indirectly, in a Sub-Fund, and, through this, are indirect owners of the Sub-Funds and will receive some portion of Carried Interest.

### **How the Fund GP works**

The Fund GP has the exclusive power to administer and manage the Fund and its Sub-Funds and to determine the investment objective, investment policy and investment restrictions applicable to each Sub-Fund, and the course of conduct of the management and business affairs of the Fund and the Sub-Funds. The Fund GP appointed FundRock LIS as AIFM and will act upon FundRock LIS’s investment decisions.

We have in place a service agreement with the Fund GP by which it provides us with certain administrative, legal, compliance and financial services.

### **Funding structure**

Organizational funding for us and for the Fund GP came from Fee HoldCo, a Luxembourg special limited partnership. Fee HoldCo is owned by Blue Orange Equity TopCo SCSp (“Equity TopCo”) and was financed through loans from Blue Orange Debt TopCo SCSp (“Debt TopCo”), a Luxembourg special limited partnership. Investors in Equity TopCo and Debt TopCo are U.S. and non-U.S. persons, including Mr Badré, Mr Kaldany and Ms Yannakis and unaffiliated third parties. Debt TopCo, Equity TopCo and Blue Orange Carry Management SCSp (“Carry Management”) are the co-owners of BlueOrange Carry HoldCo SCSp (“Carry HoldCo”), a Luxembourg special limited partnership. The members of our Management Team are investors in Carry HoldCo and Fee HoldCo through Carry Management SCSp and Fee Management SCSp (“Management Companies”), both Luxembourg special limited partnerships.

Fee HoldCo and Carry HoldCo were established to receive fee income and Carried Interest from the Fund. The members of the Management Team will receive a portion of these fees and Carried Interest via their investment in the Management Companies. The Special Limited Partner, a subsidiary of Carry HoldCo, and a direct investor in the Sub-Funds, will receive Carried Interest from the Sub-Fund.

AXA Impact Fund, a French registered *Fonds Commun de placement*, Equity TopCo and Fee Management are the three shareholders of BlueOrange SAS. In July 2023, AXA Impact Fund granted a loan facility to BlueOrange SAS for €2.0m (\$2.2m); as of the date of this Brochure, the total amount was drawn down.<sup>2</sup>

Because members of the Management Team hold multiple roles across these partnerships and companies, have through them provided organizational funding to us, vote on the repayment of this organizational funding and will receive Carried Interest, there are multiple conflicts of interest with respect to our funding structure. The conflicts of interest and the means to address these conflicts are disclosed in this Brochure at Item 10.

## **Item 5 – Fees and Compensation**

### **Management Fees**

Each of the three Sub-Funds pay a management fee to the Fund GP (“Fund GP Management Fee”) who, in turn, pays us out of this a management fee (“Management Fee”) for the services that we provide (non-discretionary investment management services for Sub-Fund I and II). Both fees are paid quarterly in advance at the beginning of each calendar quarter out of the assets of a Sub-Fund. We will continue to receive both fees until the expiry of the term of a Sub-Fund through to the end of its liquidation. The Fund GP Management Fee and the Management Fee are not related to performance.

The Fund GP Management Fee for each Sub-Fund consists of a fixed and a variable component. The fixed component is \$750,000 for Sub-Fund I, \$300,000 for Sub-Fund II and €300,000 (\$329,070) for Sub-Fund III. The variable component is 1.35% for Sub-Fund I and 1.5% for Sub-Fund II and Sub-Fund III, each subject to discounts in respect of certain investor classes of each Sub-Fund, calculated:

- for the two first years following the first closing of a Sub-Fund upon the commitments to a Sub-Fund;
- subsequent to the two first years following the first closing of a Sub-Fund upon the total acquisition cost, net of leverage, of investments that have not been realized or permanently written off by a

<sup>2</sup> Using the European Central Bank’s EUR/USD exchange rate as of March 5, 2024.



Sub-Fund prior to the commencement of the relevant calendar quarter, and subject to adjustment for changes during such calendar quarter as set forth in the governing documents of such Sub-Fund.

Out of the Fund GP Management Fee, the Fund GP will bear all its ordinary ongoing costs, including but not limited to, general overhead and operating expenses, administrative, legal, tax and audit related costs, fees and expenses, as well as the Management Fee.

The Fund GP Management Fee is calculated by Caceis Bank Luxembourg Branch ("Caceis"). The Fund GP reviews the calculation of the Fund GP Management Fee, and the fee methodology and all calculations are reviewed annually in the audit of the Fund GP, the Fund and the Sub-Funds by the external auditors.

### **Other fees and expenses**

All transaction fees, closing fees, underwriting fees, directors and monitoring fees together with abort fees charged by us and our affiliates in respect of any investment made by a Sub-Fund are 100% for the benefit of a Sub-Fund and may be credited against the Fund GP Management Fee otherwise payable to the Fund GP by a Sub-Fund.

Each Sub-Fund reimburses us and the Fund GP, on a *pro rata* basis in proportion to the respective total commitments of that Sub-Fund as compared to the total commitments to all of the Sub-Funds, the organizational and set-up expenses of the Fund GP, the Fund and a Sub-Fund and us:

- For Sub-Fund I, up to the lower amount of (i) 0.5% of the aggregate commitments at the date of the final closing and (ii) \$1,800,000, including but not limited to structuring, legal, accounting, consulting, financial advisory, tax advisory, the preparation and filing of Form ADV and the compliance manual, printing, postage, filing, travel, out of pocket expenses, expenses and commissions payable to placement agents, brokers and intermediaries, capital raising and other organizational expenses; and
- Sub-Fund II will bear any and all fees, costs expenses and taxes relating to the establishment of the Sub-Fund up to \$500,000, including but not limited to structuring, legal, accounting, consulting, financial advisory, tax advisory, printing, postage, filing, travel, out of pocket expenses, capital raising and other organizational expenses.
- Sub-Fund III will bear any and all fees, costs expenses and taxes relating to the establishment of the Sub-Fund up to €200,000 (\$219,380), including but not limited to structuring, legal, accounting, consulting, financial advisory, tax advisory, printing, postage, filing, travel, out of pocket expenses, capital raising and other organizational expenses.

The Fund GP will bear the excess (if any).

Each Sub-Fund has and will bear the following charges and expenses in respect of the operation of the Fund and itself:

- a) operating expenses including all taxes (other than those attributable to a particular Partner), duties, stamp duties, governmental and similar charges, commissions, foreign exchange costs, bank charges, registration fees relating to investments, insurance and security costs, expenses of the issue and redemption of interests in the Fund and the Sub-Fund ("Interests");
- b) the fees, costs and expenses of establishing, maintaining, operating, managing, protecting and winding-up any investment holding entity, (including, but not limited to, any holdings, partnerships or blocker entities as may from time to time be established by the General Partner), including any Intermediate vehicle ), including if necessary, employee costs of such entity (and, for the avoidance of doubt, no such employee will provide any services to the Fund GP or BlueOrange);

- c) any and all transaction and administration fees, expenses and taxes (including, without limitation, brokerage, due diligence, investment banking, financial advisory, legal, accounting, surveyor's, travel fees (which may include non-commercial travel, but only to the extent no reasonable alternative mode of transportation is available) and accommodation expenses and other professional fees as well as any transaction and administration fees, expenses and taxes charged by the Co-Investment Partners to a Sub-Fund under the applicable framework agreement) incurred on transactions with respect to the acquisition, monitoring or disposal, or the proposed acquisition or disposal of the portfolio and related expenses in connection with the acquisition or disposal of the assets, irrespective whether the transactions have materialized or not, including, for the avoidance of doubt, broken deal expenses (including the portion attributable to any Co-Investment Partners who may have invested in such proposed portfolio investment were it to have been made, to the extent not otherwise reimbursed). All transaction costs incurred outside the ordinary course of business, such as due to the restructuring of debt investments held by a Sub-Fund, in excess of \$600,000 per transaction will be subject to the prior approval of the Advisory Committee (defined below);
- d) costs, expenses and taxes related to the use of financial derivative instruments and/or other techniques and instruments used for the purposes of mitigating or hedging fluctuations in interest rates or exchange rates between the US Dollar as the reference currency of a Sub-Fund and relevant other currencies;
- e) accounting, due diligence, legal and other service providers in relation to portfolio, the Fund and its Sub-Fund(s) and all other fees and expenses incurred by the Fund GP and FundRock LIS acting in respect of the Fund and its Sub-Fund(s);
- f) reporting and publishing expenses, including the cost of preparing and/or filing of the LPA and all other documents concerning the Fund, including the Private Placement Memorandum of a Sub-Fund ("PPM") and explanatory memoranda and registration statements with all authorities having jurisdiction over the Fund or the offering of LP Interests of a Sub-Fund; the cost of preparing, in such languages as are required for the benefit of the Partners, including the beneficial holders of LP Interests, and distributing annual and all other periodic reports and such other reports or documents as may be required under the applicable laws or regulations of the above-cited authorities and the costs and expenses of local representatives appointed in compliance with the requirements of such authorities;
- g) the cost of convening general meetings of the Partners or of consulting the Partners in writing;
- h) the reasonable costs and expenses of the Advisory Committee and travel, telephone, accommodation and other out-of-pocket expenses reasonably incurred by members of the Advisory Committee in connection with meetings or other business of the Advisory Committee;
- i) expenses incurred in determining Fund and Sub-Fund net asset value ("NAV") and valuating assets;
- j) the costs of preparing, printing and distributing all valuations, statements, accounts and performance and investment reports;
- k) the Auditors' fees and expenses in relation to the Fund;
- l) the expenses of the Partnership Representative (as described in Appendix A to the LPA);
- m) the costs of amending and supplementing the Fund governing documents, the PPM, the agreements and documents relating to the Fund and all similar administrative charges;
- n) costs incurred to enable the Fund to comply with legislation and official requirements (including expenses relating to the preparation and filing of Form PF and Form D) provided that such costs are incurred substantially for the benefit of the Partners and any fees and expenses involved in registering and maintaining the registration of the Fund with any governmental agencies, or listing of LP Interests on the Luxembourg Stock Exchange or on stock exchanges in any other country;
- o) all other taxes and all fees or other charges levied by any governmental agency against the Fund in connection with its investments or otherwise; other than those attributable to a particular Partner;
- p) any irrecoverable VAT (or similar levy or duty) relating to any such costs and expenses; and

- q) all other costs and expenses in connection with the operations or administration of the Fund and the portfolio incurred to procure the achievement of the investment objective and the investment policy of the Fund and the Sub-Fund(s), including, but not limited to, the costs of due diligence on and monitoring of investments, compliance costs, travel (which may include non-commercial travel, but only to the extent no reasonable alternative mode of transportation is available) and accommodation expenses and expenses incurred in connection with any indebtedness and guarantees (including interest, fees and related legal expenses) of the Fund or other credit arrangement (including any line of credit, loan commitment or letter of credit for the Fund or related to any portfolio investment (or any underlying asset)).

Each of FundRock LIS as the AIFM and BlueOrange will be responsible for the routine expenses associated with their own functioning and operations, including but not limited to overhead, rent, salaries and associated employee benefits.

Fees and expenses incurred in relation to the launch of a new Sub-Fund will exclusively be borne by and paid out of the assets of such Sub-Fund.

Fees and expenses charged to the Fund that are not clearly attributable to one or several sub-fund(s) will be borne by and paid out of the assets of all sub-fund(s) in proportion to the respective capital commitments of the sub-fund.

#### **Item 6 – Performance-Based Fees (or Carried Interest) and Side-By-Side Management**

BlueOrange will not receive Carried Interest. A Sub-Fund will pay Carried Interest to the Special Limited Partner, and members of the Management Team will, indirectly, receive a portion of this. The net income of a Sub-Fund, after payment of all expenses and liabilities and making such provisions as the Fund GP considers reasonable and appropriate for reserves, will be distributed in accordance with the waterfall distribution as follows:

- a) first, the investors will receive their capital return;
- b) second, the investors will receive a 6% preferred return;
- c) third, 100% of distributions in excess of the preferred return will be paid to the Special Limited Partner until the Special Limited Partner has received pursuant to this subclause (c) an amount equal to 17.647% of the preferred return (“SLP Catch-Up”), so that the amounts received by the Special Limited Partner as SLP Catch-Up represent 15% of the sum of the preferred return and the SLP Catch-Up; and
- d) fourth, as regards distributions in excess of the preferred return and the SLP Catch Up, (x) 85% to the investors and (y) 15% to the Special Limited Partner.

For the avoidance of doubt, distributions to the Special Limited Partner under subclause (c) and (d) are together referred to as the “Carried Interest”.

Upon dissolution of a Sub-Fund, the Special Limited Partner must return distributions to that Sub-Fund to the extent that it has received cumulative distributions in respect of its Carried Interest in excess of the aggregate Carried Interest amounts described above, calculated as of such time. In no event will the Special Limited Partner be required to restore to that Sub-Fund more than the cumulative Carried Interest distributions received by the Special Limited Partner from that Sub-Fund are determined on an after-tax basis.

We, the Fund GP and Sub-Fund I have an agreement dated June 21, 2018, in which IDB Invest as a co-investor partner will receive a portion of Carried Interest subject to achieving a certain volume of co-investment. The portion of Carried Interest that IDB Invest receives is determined after the calculations above are performed and is paid prior to any other party receiving Carried Interest. Based on the investments made by Sub-Fund I, IDBi will not be eligible to receive carried interest on Sub-Fund I performance. A similar agreement is being negotiated for Sub-Fund II.

The balance of Carried Interest is then paid to Blue like an Orange companies and their seed investors (which companies are noted in Item 4), then to employees and the Management Team.

The payment of Carried Interest creates an incentive for us to recommend riskier or more speculative investments for a Sub-Fund than would be the case in the absence of this arrangement. Certain Sub-Fund investors view this as an alignment of interests, and this is addressed (mitigated) because carried interest is calculated by Caceis and the methodology is reviewed by the Fund GP, the Fund and Sub-Fund auditors annually.

### **Item 7 – Types of Clients**

Our sole clients are the Sub-Funds for which we provide non-discretionary advice to FundRock LIS, the AIFM of the Fund, for use for the Sub-Funds.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of analysis and investment strategies**

We perform directly or with assistance from BlueOrange Gestora an analysis of potential investments before making a recommendation to FundRock LIS, who makes the final investment decision for the Sub-Funds. We utilize an intensive “bottom-up” approach to our analysis of potential investments and co-investments. This analysis includes the following:

- a review of the potential return in relation to the potential risks associated with such return;
- an analysis of the underlying portfolio companies, their historical operating and financial performance, and the estimated performance going forward;
- a review of fund portfolio construction and diversification;
- an analysis of the investment’s alignment with the target objectives of the Fund, especially regarding the sustainable development goals’ achievement;
- an analysis of the impact of terms and conditions on net return; and
- an assessment of future liquidity events.

Target borrowers include project sponsors as well as small and medium sized enterprises in emerging markets that seek external sources of financing to expand their operations and fund their growth. Target borrowers must meet the eligibility standards of a Sub-Funds and, where applicable, the Co-Investment Partners, and will often be prescreened and approved by IDB Invest and these Co-Investment Partners. Depending on the characteristics of each transaction, borrowing will be made available directly or indirectly via special purpose vehicles. Investments may be made in US Dollar or other currencies. A Sub-Fund may, but shall not be obliged to, use financial derivative instruments for hedging purposes or use credit insurance.

Blue like an Orange sets sustainable objectives at the Fund and Sub-Fund portfolio level and assesses each potential transaction against measurable social, environmental and governance (“ESG”) investment

standards. The internal evaluation of the sustainability impact of the transactions over their life cycle, performed by the investment team, is one of the key components of our systematic assessment procedure for our investments.

Our investment process includes a parallel track to evaluate the commercial, ESG and impact aspects of each investment. Both are evaluated by the same investment team to assure a comprehensive and integrated review.

This evaluation includes in most cases reviews by independent parties and is required to meet minimum internal thresholds in order to proceed with the investment. The outcome of this assessment constitutes a specific section of the memorandum prepared for the IC and discussed among its members.

We have an explicit focus on mobilizing private capital to achieve the UN Sustainable Development Goals (“SDGs”). Therefore, each potential loan investment is mapped to the SDGs at Goal, Target and Indicator level. Our investment team, at times with the assistance of external consultants, works to determine “SDG Shadow Indicators” that align with the SDG Indicators and are relevant for the target company. Each potential opportunity is evaluated against the SDGs with the determination of a score – a minimum is required to invest.

As part of our due diligence policies for investments, we perform a “Know Your Client” and ethical check and an ESG assessment to identify events or conditions that could cause a material negative impact on the value or performance of an investment. Factors that we consider in our assessment are environmental, social and employee matters, respect for human rights and anti-corruption and anti-bribery matters. Our ESG due diligence is based on performance standards developed by International Finance Corporation in 2012.

### **Risks and the evaluation of loss**

The Coronavirus pandemic was followed by the current conflict in Ukraine which affects economic and market conditions. It is not possible to evaluate exactly at this stage, how, for how long or in what magnitude this will continue to affect our activities or the performance of a Sub-Fund.

Prospective investors should be aware that an investment in a Sub-Fund involves a high degree of risk and should only be undertaken by investors who can evaluate the risks of such an investment and of bearing those risks. The following points are some investment considerations and risks facing investors given our and a Sub-Fund’s investment focus (“Investments”). Please see each Sub-Fund PPM for more information.

- Investments involve a significant degree of risk. There can be no assurance that any targeted returns will be achieved or that there will not be a loss of capital. Therefore, an investor should only invest in the Fund if the investor can withstand a total loss of its investment.
- There is no established market for Investments, nor is a liquid market expected to develop. What market there is has been evolving and is likely to continue to do so.
- The activity of identifying and completing attractive Investments is highly competitive and involves a high degree of uncertainty.
- BlueOrange is subject to many of the business risks and uncertainties associated with any new financial services business, including the risk that they will not realize their business objectives.
- Specific individuals at BlueOrange will manage and recommend the Investments. As a result, returns may be particularly dependent on those individuals, and the loss of any such individuals could have a materially adverse effect on the performance of the Investments.

- Investments do not necessarily grant control of the management of the underlying companies, so returns will depend on the performance of those persons unrelated to us or the Fund GP managing the operations of the underlying companies.
- There can be no assurance of selling or otherwise disposing of an Investment at a time that will be economically advantageous.
- In some cases, Investments will be long-term in nature, preventing any distribution prior to dissolution and creating the possibility that an Investment will not be able to be advantageously disposed of prior to the date of dissolution of the Fund.
- The tax considerations of an Investment are complex and uncertain, depending on several factors, including the particular Investment, the jurisdiction in which Investment income is subject to tax, the jurisdiction where an investor is subject to tax, and the applicable laws of any relevant jurisdictions.
- The computers, systems and other IT devices used by us and our service providers to carry out routine business operations employ a variety of protections to prevent service interruptions and/or confidential data leaks. Despite the various protection layers, security can be breached and the Fund and its investors could be impacted. Cybersecurity breaches may cause business operations to be impacted, potentially resulting in financial losses to the Fund; the inability of us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.
- Investments are dedicated to emerging markets, which includes specific risks not always present in developed markets. These are: adverse economic, political, social or diplomatic developments; expropriation; confiscatory taxation; exchange controls; or other governmental restrictions. While Investments will be made in a manner that will seek to minimize the exposure to such risks, there can be no assurance that adverse economic political or social changes will not prevent achieving our investment objectives. Furthermore, any fluctuation in currency rates and potential financial markets volatility may affect the value of the Investments (in some cases, materially).

#### Item 9 – Disciplinary Information

There is nothing to report.

#### Item 10 – Other Financial Industry Activities and Affiliations

We and the Fund GP are not registered and do not have an application pending to register as a broker-dealer, a registered representative of a broker-dealer or a futures commission merchant. We are an exempt commodity trading adviser and exempt commodity pool operator. The Fund GP is an exempt commodity pool operator and Sub-Fund I and II are each an exempt commodity pool.

The Fund GP has established an investor advisory committee (“Advisory Committee”) for Sub-Fund I, comprised of four unaffiliated investors in Sub-Fund I and currently only one unaffiliated investor in Sub-Fund II and Sub-Fund III, both together. The Advisory Committee will not participate in a Sub-Fund’s management or operations but may be consulted at the Fund GP’s discretion and express a recommendation on such topics as the Fund GP may from time to time refer to the Advisory Committee. It will act, independently, in situations involving a conflict of interest.

The IC may, from time to time and as it considers appropriate, consult with external partners and experts in relevant fields when assessing an investment or divestment proposal. Such external partners and experts shall only be involved in an advisory capacity and shall not be entitled to consider or vote on any matters pending before the IC. We have an Advisory Council that advises and acts as a sounding board for senior management on overall strategy and provides them with guidance as needed. We also have

our Advisory Board that provides us with industry and financial expertise while also providing a forum within which to interact with one another as well as with investors in a Sub-Fund.

We have a Sustainability and ESG Advisory Committee, which reviews BlueOrange company approach and policies as well as provides recommendations for improvements and modifications to our ESG standards. It acts as an independent sounding board for potential issues that arise during investment preparation and portfolio management. In addition to including all the Management Team, certain of its members who have given their consent are named on our website.

Certain of our seed investors in a Blue like an Orange Company (named in Item 4) who are members of the Advisory Board, the Advisory Council or the ESG Advisory Committee, are also investors in a Sub-Fund. They are not eligible to be involved in any matter involving a decision for or the giving of a consent on behalf of a Sub-Fund.

No member of any of these committees receives Confidential Client Information, confidential information or any information that we receive from potential or actual borrowers. Matters that are discussed with the committees are structural, ESG related, investment return methodologies, possible strategies for new opportunities and macro issues. However, as an investor in a Sub-Fund, they receive information that is passed on to all investors in that Sub-Fund.

Seed investors receive on a quarterly basis, the same information that is shared with Fund's LPs, on the Fund performance, subject to confidentiality requirements.

Members of the Management Team hold dual or multiple roles. Dual or multiple roles involve conflicts of interest. We have designated back-ups when one of these persons is required to perform a second role that involves a conflict of interest. We also require recusal from discussions and voting or certain decision-taking that involves a conflict of interest. In the case of the CCO, we have an internal legal counsel who will attend IC meetings and handle legal and compliance issues while the CCO is present and engaged in discussions and voting.

Access Persons are allowed to invest in a Sub-Fund. To date, only the Management Team has invested in Sub-Fund I and Sub-Fund II as requested by our LP investors through the PPM. Access Person commitment into Sub-Funds must be accepted by the Fund's Board of Directors together with the other LP's commitments. The rights and obligations of the Blue like an Orange's shares are stated in the PPM.

Supervised Persons of BlueOrange and the Fund GP ("BlueOrange Purchasers") may, subject to pre-investment review and clearance, lend, invest or divest in a borrower after a Sub-Fund lends, invests or redeems. This is a conflict of interest. All such activities are subject to compliance with our Code including pre-clearance, observance of blackout periods and disclosure controls.

A BlueOrange Purchaser may invest in or make a loan to a company that was considered not to be suitable for a Sub-Fund. This is subject to review, pre-clearance and compliance with a blackout period and other conditions, and when the borrower is not on our Restricted List. Such transactions are monitored by the CCO, who reserves the right not to clear a purchase or require a sale.

The research, advice and recommendations that we generate and give to FundRock LIS is "Confidential Client Information" as defined in our Code and shall not be given to or used by any person other than FundRock LIS for it to carry out its role. Our Code imposes investment restrictions upon our and the Fund GP "Access Persons" (defined in our Code). We impose sanctions on the misuse of such information.

Members of the Management Team have or will develop relationships with representatives of borrowers in which a Sub-Fund invests. These include serving as a member of the board of directors, giving advice or seeking a co-investor to also invest in such borrower. These relationships constitute conflicts of interest, and we reserve the right to prevent such role or impose conditions upon it, including, but not limited to, recusal, ring-fencing information or voting, or non-attendance at meetings. In situations where the board members' fiduciary duties conflict with the interests of the Sub-Fund, the board member will resign from the company's board of directors.

Mr Hertz holds roles with FundRock LIS and the Fund GP. He also holds similar roles for other general partners of funds for which FundRock LIS serves as AIFM. In his role at FundRock LIS, he will not participate in investment-making decisions for a Sub-Fund but will receive our Confidential Client Information. Mr Hertz is subject to compliance controls by the Fund GP and FundRock LIS with respect to the information that he receives, if any, from a Sub-Fund, and will recuse himself from situations involving a conflict of interest.

One of our employees has a "Connected Person" (defined in our Code) that works with IDB Invest. We require him to comply with our Code and monitor his communications to help prevent the misuse of Confidential Client Information. His Connected Person is subject to the Code's personal account dealing requirements.

AXA is an unaffiliated minority shareholder of our parent, BlueOrange SAS. AXA has appointed Fabien Ferrer as a board member of BlueOrange SAS, who may act in a manner that benefits AXA over the interests of other fund investors. It is possible that AXA will compete with us and with the Sub-Funds for investment opportunities or other business opportunities. Board members of BlueOrange SAS will not receive Confidential Client Information and not participate in investment decisions for the Sub-Funds.

Mauricio Orellana, a Managing Director, is a member of the Investment Committee of Fondo de Inversion Cerrado Libre Para el Desarrollo de Infraestructuras Dominicanas I, an Investment Fund for the Development of Dominican infrastructure. As a Managing Director and an IC member, he must recuse himself from voting on any investments in a Sub-Fund in the Dominican Republic.

Certain persons work for BlueOrange under a consulting service agreement to provide research analysis and develop our activities in the Latin American region. We keep a log of such persons; we require them to comply with our Code and consider them as Supervised Persons and Access Persons. We implement controls to supervise them, including monitoring of their e-mails, social media and quarterly personal account dealing checks. We also analyze any situation that could create a conflict of interest and, if so, address these accordingly.

#### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We and the Fund GP maintain a code of ethics as required by the Advisers Act. The Code sets forth a standard of conduct expected of all Supervised Persons (as defined in the Code). The Code:

1. establishes standards of conduct for Supervised Persons;
2. requires Supervised Persons to comply with applicable U.S. federal securities laws;
3. imposes personal account dealing requirements on Access Persons (defined in the Code);
4. requires our CCO to review Code activities;
5. requires that Supervised Persons receive this Code, acknowledge receipt, understand it and comply fully with it; and
6. requires Supervised Persons to report Code violations.



The Code requires Access Persons that have Confidential Client Information to satisfy pre-clearance and reporting requirements, initial and annual holdings reports and quarterly transaction reports.

Subject to compliance with our Code and controls to address conflicts of interest, we permit Access Persons to invest in a Sub-Fund. Supervised Persons of Blue like an Orange companies (“BlueOrange Purchasers”) may, subject to pre-investment review and clearance, lend, invest or divest in a borrower after a Sub-Fund lends, invests or redeems. All such activities are subject to compliance with our Code including pre-clearance, observance of blackout periods and disclosure controls. A BlueOrange Purchaser may invest in or make a loan to a company that was considered not to be suitable for a Sub-Fund, subject to compliance with a blackout period, and when the borrower is not on our Restricted List. Such transactions require pre-clearance and compliance with our Code and are monitored by the CCO, who reserves the right not to clear a purchase or require a sale.

We will provide a copy of our Code upon request.

#### **Item 12 – Brokerage Practices**

We do not buy or sell securities for the Fund and thus do not engage in any brokerage activities.

#### **Item 13 – Review of Accounts**

BlueOrange will monitor Sub-Fund activities. However, responsibility for the overall review of loans and investment activity rests with FundRock LIS.

#### **Item 14 – Client Referrals and Other Compensation**

We do not pay persons to solicit Sub-Fund investors and do not have any such agreements.

#### **Item 15 – Custody**

We do not have custody of Sub-Fund assets. All Sub-Fund lending documents and other assets are held by Caceis. The Fund’s and each Sub-Fund’s financial statements will be audited by an independent public accountant and distributed to all investors no later than 120 days after its fiscal year-end.

#### **Item 16 – Investment Discretion**

BlueOrange provides non-discretionary sub-advisory services to the Sub-Funds. It does not exercise discretionary authority. The Fund GP appointed FundRock LIS as AIFM, and the Fund GP acts upon FundRock LIS’s specific investment decisions.

#### **Item 17 – Voting Client Securities**

We do not vote proxies in respect of client securities. However, if a Sub-Fund held securities, we would recommend to FundRock LIS how to vote them.

#### **Item 18 – Financial Information**

There is nothing to report.