



FAQ - „Side Pocket“

Frequently asked questions

1) What does the "Side Pocket" projet actually mean?

The "side pocket" method is based on setting aside part of the assets that are still liquid at the given moment and transferring them to the newly founded NOVA Green Energy - subfund 2 (hereinafter referred to as "Subfund 2") and the subsequent liquidation of the "old" NOVA Green Energy - subfund 1 (hereinafter referred to as "Subfund 1"), in which only less liquid and more risky assets remained.

It is a legitimate tool widely used in Western countries with developed capital markets. For example, hedge funds typically use a "side pocket" either to manage liquidity and solve problems with determining value in the event of, for example, impending lawsuits, or to separate assets that, due to their risk profile, differ from the main (core) investment strategy.

2) How does the investor receive the investment shares of Subfund 2?

Subfund 1 invested all its liquid assets in Subfund 2 with a net present value of approximately CZK 1.25 billion as a non-cash contribution for subscription of investment shares of Subfund 2, which took place on April 30, 2022. For a short term period, Subfund 1 will thus become the largest shareholder of Subfund 2.

The current shareholders of Subfund 1 will subsequently receive these investment shares of Subfund 2 in the proportion in which they held shares in Subfund 1, in the form of a non-monetary (so-called "in kind") advance payment for a share of the liquidation balance of Subfund 1.

The shareholders of Subfund 1 will thus replace the shareholder position of Subfund 1 in Subfund 2. Through the transfer, the shareholders of Subfund 1 will receive the same class of investment shares of Subfund 2, at the same value and with all the rights associated with the original shares of Subfund 1 (including the right for redemption or right to sell on the secondary market).

3) What will happen to Subfund 1?

With effect from August 1, 2022, Subfund 1 ceased its investment activities and formally entered into liquidation. During the liquidation of Subfund 1, advances will be paid to its shareholders for a share of the liquidation balance in the form of "in kind", i.e. payments of advances in non-monetary form, in the form of investment shares of Subfund 2.

After the entry of Subfund 1 into liquidation, in accordance with § 434 of AICIF, the administrator will draw up extraordinary financial statements of Subfund 1 in accordance with § 17 of the Accounting Act, on the basis of which the member of the board of directors will decide on the payment of an advance for a share of the liquidation balance in non-monetary form, i.e. in the form of investment shares of Subfund 2 to its shareholders.

Subfund 1 will therefore cease its investment activity and will fully concentrate on the management of assets falling into the "side pocket", with the primary aim of restoring their liquidity. Gradually, after all (albeit theoretical) risks have subsided, Subfund 1 will transfer individual assets to Subfund 2, for which it will again receive investment shares of Subfund 2, which it will then pay out through another advance on a share of the liquidation balance to the shareholders of Subfund 1.

The ultimate goal is to "recover" and liquidate all the assets of Subfund 1 and transfer them to Subfund 2. Thus, in the end, the current shareholders of Subfund 1 will hold all their original investments through Subfund 2.

We tentatively estimate the duration of the liquidation of Subfund 1 itself, i.e. the recovery and liquidation of all assets, taking into account the circumstances known to us today, to the end of 1Q/2024. However, these circumstances can change, and it is very difficult to predict them today. Anyway, individual assets will be liquidated continuously.

4) Why are we doing all this?

Without the implementation of the "side pocket", considering the different liquidity of assets in Subfund 1, it would not be possible to re-open Subfund 1 for subscriptions and redemptions by existing as well as new investors, especially with respect to valid Czech and European legislation (AICIF, AIMFD and AIMFR guidelines). Therefore we would have to keep Subfund 1 closed (suspend trading) until all risks in all assets have subsided.

On the contrary, by implementing a "side pocket", almost 70 % of Subfund 1 will be liquidated, while other assets will be able to be transferred gradually, and therefore it is not necessary to wait until the recovery of 100 % of the original assets of Subfund 1, which has a fundamentally positive effect on the liquidity of your investment, and it will allow to expand the existing portfolio of Subfund 2, thus increasing its income and thereby improving liquidity.

5) What is the current structure of assets in the portfolio of Subfund 1 and Subfund 2?

A detailed presentation of the assets of Subfund 1 and Subfund 2 is available on the website of the NOVA Green Energy fund.

6) When the Subfund 2 was established and what is going to be its investment strategy?

Subfund 2 was established on March 28, 2022. On this date, it received authorization to operate and was entered in the list of investment funds kept by Czech National Bank under NID 75163268.

The investment strategy will be the same as in the case of Subfund 1. Subfund 2 will continue to invest in small and medium-sized projects related to the construction and operation of photovoltaic power plants in the region of Central and Eastern Europe (the "pipeline" of individual new projects will be available on the website of the NOVA Green Energy fund).

7) What does the split of the NOVA Green Energy fund mean for me, as an existing investor of Subfund 1, i.e. in what proportion will my investment shares be distributed?

For you, the distribution of the fund means that your investment shares held in your property account will be split. After the split, you will therefore hold the investment shares of both Subfunds in the ratio of the distribution of assets between Subfund 1 and Subfund 2 (see points 1-3 for details), while in the first phase your investment shares will be distributed in a ratio of approximately 1/3 - Subfund 1 and 2/3 - Subfund 2.

8) Will my position get worse after the distribution of my investment shares?

No, after the distribution of your investment shares, you will hold the investment shares at the same value as before their distribution.

9) Will my cooperation be required in the process of the investment shares distribution?

NO - if you have your property account managed by REDSIDE. In this case, we will arrange the entire technical process of distribution for you. After the distribution is completed, you will be able to check the status of your property account in the Client section on our website.

YES – in case you have opened your own asset account with your bank. In this case, it will be necessary to communicate with the bank about crediting investment shares of Subfund 2 to your asset account. However, we will inform you about everything, so you will learn in time how to proceed in such case.

Of course, we will do our best to make the whole process for you as simple as possible.

10) When will my investment shares be distributed?

The distribution of your investment shares can take place immediately after drawing up the audited extraordinary financial statements of Subfund 1 as of July 31, 2022, i.e. the day before Subfund 1 went into liquidation. According to legal requirements, the financial statements must be drawn up and audited no later than 4 months after entry into liquidation, i.e. on November 30, 2022.

11) After receiving the investment shares of Subfund 2, can I ask Subfund 2 to redeem the received investment shares?

With respect to the one-year "lock up" period, which began with the issuance of the first investment shares by Subfund 2 on June 30, 2022, it will be possible to request a possible redemption only after the expiry of this one-year period, which serves as a protection for new investors in Subfund 2 and gives Subfund 2 enough space to realize new projects generating new income.

12) When can I, as a shareholder of Subfund 1, sell my investment shares?

You will be able to submit a request for redemption of investment shares from Subfund 2 no earlier than on July 1, 2023. It will be possible to sell that part of investment shares that you will hold within Subfund 2.

With respect to the ongoing liquidation, it will not be possible to withdraw from Subfund 1, and therefore you remain its shareholder for the entire duration of the liquidation of Subfund 1.

13) Will it not be in contradiction with the condition of a qualified investor saying that I have to hold investment shares in the company with a total value of 1 million CZK, when after redemption of the investment shares, this amount will be reduced, since I will still be a small shareholder of Subfund 1?

In the event of the liquidation of Subfund 1 (or the fund), an exception will be applied, meaning that it will be possible to redeem investment shares even if, after the redemption, you do not meet the minimum investment requirement for a qualified investor.

14) How will you calculate the exit fee?

For the calculation of the exit fee, for investors affected by the "side pocket" project, the statute valid at the time of their entry into Subfund 1 will be of the key importance.

15) Can I already invest in Subfund 2?

Yes, it is already possible to join Subfund 2 as a new investor. The investment will be governed by the statute valid for Subfund 2.

16) Will you calculate the NAV for each of the funds separately?

Yes, each of the investment share classes of Subfund 1 and Subfund 2 will be published and calculated separately on a monthly basis.

17) Will a management fee be charged to both Subfunds?

The entire implementation of the "side pocket" is established and communicated with the supervisory authority so that the position of the current shareholders of Subfund 1 does not deteriorate. This also applies to the management fee, which is charged to both subfunds, but the basis for its calculation within the Subfund 1 is reduced by the current value of the shares held in Subfund 2, thereby, which ensures that the fees charged on Subfund 1 and Subfund 2 are not duplicated, and therefore the split is cost-neutral from this point of view.