Next Edge Private Debt Fund

Monthly Commentary as of February 28, 2020

An open-ended investment product that offers investors access to investments in predominantly secured, short-term loans through experienced credit advisors, with independent oversight.

FUND PERFORMANCE

	1 Month	YTD*	1 Year	3 Year Annualized	Annualized Since Inception	Inception Date	NAV	Monthly Distribution
Class A1[1,2]	0.65%	1.16%	7.69%	7.70%	7.54%	June 2015	$9.40	$0.0628
Class F1[1,2]	0.74%	1.35%	8.88%	9.03%	8.91%	June 2015	$10.05	$0.0670
Class G[1,2]	0.67%	1.21%	8.02%	8.18%	7.95%	June 2015	$9.55	$0.0638
Class H[1,2]	0.78%	1.44%	9.48%	9.63%	9.40%	June 2015	$10.19	$0.0679
Class J[1,2]	0.76%	1.38%	9.07%	9.23%	9.13%	October 2015	$9.80	$0.0653
Class K[1,2]	0.69%	1.25%	8.26%	N/A	8.26%	March 2019	$9.96	$0.0665
Class L[1,2]	0.78%	1.44%	9.49%	N/A	9.49%	March 2019	$10.08	$0.0671
Class A[1,2]	0.65%	1.16%	7.68%	N/A	7.62%	April 2017	$9.68	$0.0647
Class F[1,2]	0.69%	1.25%	8.28%	N/A	8.43%	April 2017	$9.80	$0.0654

FUND COMMENTARY

The Next Edge Private Debt Fund (the "**Fund**") returns ranged between 0.65% (Class A Units) and 0.74% (Class F1 Units) in February. The Fund's underlying portfolio (the "**Portfolio**") is broadly diversified with exposure to 176 factoring, asset-based, specialty finance or similar type loans with 168 unique clients - with transactions in 32 states and 6 provinces. Presently, the geographic weighting of the Portfolio is approximately 50% to the US and 50% Canadian. Of these positions, 129 are factoring positions or facilities (of which approximately 87% are credit insured), 35 are asset-based loans and 12 are asset-based specialty finance loans. Top regional exposures are in Ontario, New York, British Columbia, Texas, South Carolina, Illinois, North Carolina and Quebec. The Portfolio's gross yield prior to Fund fees is ~13.2%. Ten new transactions were added in February: 7 factoring facilities and 3 asset-based loans.

PORTFOLIO UPDATE as of March 24, 2020

The primary purpose of this commentary will be to provide an update to the special Coronavirus (COVID-19) and Energy portfolio update report that was sent out to clients at the beginning of March (Check the report here: https://nextedgecapital.com/coronavitus-update/).

Since then, the spread of the virus has become more global and of more significance to the Portfolio; within North America, it is crippling various sectors, with shutdowns coming across the board.

With regards to COVID-19, the extent and length of the shutdowns and impact on revenue are somewhat unknown, although there are some timeline examples of other countries that have shut down, re-opened, and new cases have become mute. A recent quote that reflects the decisions made by governments are: "The more rapidly you want to contain the virus, then the more severe the lockdown has to be and the more severe the disruption to economic activity is," said Gregory Daco, chief U.S. economist at Oxford Economics. "The hope is, the more severe the lockdown, the sharper the rebound will be." The energy sector may be its own animal with regards to the trade war, although an increase in economic activity would help.

As can be seen in the first paragraph, the Portfolio is diversified with exposure to many different companies throughout North America. It is also worth noting that our Portfolio is composed of secured loans that are primarily backed by assets (receivables, inventory, real estate, equipment, and loans) that are vastly diversified by industry and exposure. It is important to remind investors of the position the Fund sits in the capital stack of the companies we are providing financing towards. If the companies we provide loans to become insolvent, we typically have a first position claim on the assets of the company. This means that subordinated debt, unsecured debt, preferred shares, and equity will all be worth zero if we take any impairment what-so-ever to our loans. With regards to our factoring positions, they are diversified by end debtors, cushioned by an advance rate to these purchased receivables, and are predominately covered by credit insurance.

In addition to the above, we have the following Portfolio updates to pass along from the credit team concerning recent events:

- Tighten credit as best we can with a motto to collect, collect and collect; yet give our clients the support required where feasible and warranted.
- Monitoring has been heightened from an already high level. The senior credit team members are having daily/bi-daily meetings to share updates on the Portfolio and decisions that need to be made.
- Although these loans and facilities were not underwritten to assume a shutdown of businesses due to an unprecedented situation, files are underwritten, assuming non-rosy economic conditions with loan-to-value rates reflective of that.
- Collateral is being watched very closely. Much insight can be extrapolated from the collateral, which would not be seen in financials until future dates (i.e. receivable balances, inventory). This insight can aid in credit team decisions.
- The team expects to see a slowdown in payments across the board and, therefore, an increase in our days outstanding of receivables. Note, the Fund lends against eligible collateral, so if aging becomes extended outside the terms of the agreement, it may not get included in the collateral base, which the Fund lends against, although it still remains as excess collateral. We are assessing on a case-by-case and company-by-company basis.
- As the shutdowns within North America are very recent and not across the board geographically nor by industry, we continue to reach out to our clients to determine pressure points to this ever-changing environment.
- Although the revenue of some of our clients may be impacted by recent events, should the collateral decrease, we will be lending less to them as defined by our loan and factoring agreements and maximum loan-to-value rates.
- There is a focus on the conservation of cash. Although redemptions have increased, they have remained mute relative to the industry. In addition to this, we also have a duty to fund our clients up to the terms of our loan facilities based on eligible collateral. So although collateral levels may decrease, some clients may have excess capacity based on their collateral and may draw on this capital to get them through this period. The Fund has more flexibility with regard to future commitments to factoring facilities. To meet these needs, the Fund has a cash balance, the near term expectation of some loan paybacks and, in addition, unused capacity under our CIBC credit facility.
- Although we expect to see a lot of quality loan opportunities over the coming months, our priority remains with existing borrowers and meeting any investor redemptions.
- Vast government stimulus and financial aid packages around the world, and in particular North America, have been made that will help certain companies get through this situation, which, once passed, should provide general stimulus to the economy to bounce back faster.
- The collective credit team has vast experience in the private lending sector and have been through many market cycles.

Regarding exposure to sectors of concern:

- Direct exposure to the retail sector is very small (less than 2% of Fund AUM). There is indirect exposure to retail via our specialty finance/loan-to-lender positions that would be impacted to a lesser extent. An example of the latter would be a loan to an auto title lender whereby they continue to generate revenue from the interest on their loan book. However, new loan origination is slowed down due to the closure of dealerships reducing new car sales and loans.

- The Portfolio has factoring exposure to servicers in the aviation business and airlines that account for less than 2% of the Portfolio. A significant portion of the exposure is credit insured and will increasingly be brought within credit limits as receivables are collected. Proposed bailout packages to the industry would aid in the collection and reduction of this exposure.

- The Portfolio has exposure to the energy sector of approximately 13%. Most of the exposure is via factoring positions (~9%), with the majority of the exposure within credit insurance limits. Exposure to this industry will be reduced as a function of bringing exposure to within credit insurance limits, credit team tightening, and eligible receivables levels shrinking, which becomes the collateral base we factor/purchase receivables against. In addition, an asset-based loan to a company that provides services to the energy sector with a ~4% weight is the balance of the additional exposure. The loan to this company is against eligible receivables. This loan currently has a low loan-to-value ratio against eligible collateral.

We will continue to provide updates as new information is received and are available to answer any specific questions you may have.

HISTORICAL PERFORMANCE[1] Class A1

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD[2]
2020	0.51%	0.65%	--	--	--	--	--	--	--	--	--	--	**1.16%***
2019	0.69%	0.59%	0.77%	0.66%	0.63%	0.59%	0.58%	0.62%	0.57%	0.68%	0.64%	0.54%	**7.82%**
2018	0.68%	0.55%	0.66%	0.62%	0.64%	0.79%	0.67%	0.63%	0.63%	0.59%	0.64%	0.65%	**8.06%**
2017	0.66%	0.60%	0.57%	0.63%	0.61%	0.53%	0.57%	0.57%	0.60%	0.69%	0.54%	0.53%	**7.33%**
2016	0.55%	0.59%	0.70%	0.31%	0.35%	0.56%	0.53%	0.69%	0.63%	0.67%	0.80%	0.60%	**7.21%**
2015	--	--	--	--	--	0.61%	0.75%	0.37%	0.38%	0.65%	0.69%	0.60%	**4.13%***

HISTORICAL PERFORMANCE[1] Class F1

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD[2]
2020	0.61%	0.74%	--	--	--	--	--	--	--	--	--	--	**1.35%***
2019	0.79%	0.68%	0.86%	0.76%	0.72%	0.69%	0.67%	0.71%	0.66%	0.78%	0.73%	0.63%	**9.02%**
2018	0.80%	0.66%	0.78%	0.74%	0.76%	0.91%	0.77%	0.73%	0.72%	0.69%	0.73%	0.75%	**9.41%**
2017	0.77%	0.71%	0.68%	0.75%	0.74%	0.65%	0.68%	0.69%	0.72%	0.81%	0.66%	0.65%	**8.83%**
2016	0.66%	0.70%	0.81%	0.44%	0.44%	0.68%	0.64%	0.79%	0.74%	0.78%	0.91%	0.71%	**8.62%**
2015	--	--	--	--	--	0.61%	0.98%	0.49%	0.50%	0.77%	0.81%	0.72%	**4.97%***

IMPORTANT NOTES

1. The Next Edge Private Debt Fund (the 'Fund') returns are net of all fees and expenses associated with Class A1 Units, Class F1 Units, Class G Units, and Class H Units charged from June 1, 2015 (trading start date). The Next Edge Private Debt Fund (the 'Fund') returns are net of all fees and expenses associated with Class J Units charged from October 1, 2015 (trading start date). The Next Edge Private Debt Fund (the 'Fund') returns are net of all fees and expenses associated with Class A Units, and Class F Units charged from April 1, 2017 (trading start date). Returns for 2019 and 2020 are unaudited. Therefore, performance statistics containing 2019 and 2020 figures shown in this material are subject to final confirmation. The historical annualized rate of return as of February 28, 2020 for the Next Edge Private Debt Fund Class A1 Units are 1 yr 7.69%, 3 yr 7.70%, 5 yr N/A, 10 yr N/A, and CARR 7.54%; for Class F1 Units are 1 yr 8.88%, 3 yr 9.03%, 5 yr N/A, 10 yr N/A, and CARR 8.91%; for Class G Units are 1 yr 8.02%, 3 yr 8.18%, 5 yr N/A, 10 yr N/A, and CARR 7.95%; for Class H Units are 1 yr 9.48%, 3 yr 9.63%, 5 yr N/A, 10 yr N/A, and CARR 9.40%; for Class J Units are 1 yr 9.07%, 3 yr 9.23%, 5 yr N/A, 10 yr N/A, and CARR 9.13%; for Class K Units are 1 yr 8.26%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR 8.26%; for Class L Units are 1 yr 9.49%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR 9.49%; for Class A Units are 1 yr 7.68%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR 7.62%; and for Class F Units are 1 yr 8.28%, 3 yr N/A, 5 yr N/A, 10 yr N/A, and CARR 8.43%..
2. Distribution - adjusted return
*Part Year

Capitalized terms not defined in this document are defined as set forth in the Offering Memorandum of the Fund (the 'OM'). There is no guarantee of trading performance and past or projected performance is not indicative of future results.

Next Edge Capital Corp. is the manager and trustee of the Fund (the 'Manager'). The investment objective of the Fund is to achieve consistent risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes. The Fund intends to achieve its investment objective by investing all, or substantially all, of its net assets in the Next Edge Private Debt LP (the 'Partnership') through the Next Edge Commercial Trust (the 'Sub Trust'). To achieve its investment objective the Partnership will primarily allocate capital to a number of specialist loan originators and managers of credit pools ('Credit Advisors'), to take advantage of opportunities in the private debt markets. Strategies that may be used include trade finance, consumer finance, invoice factoring, supply chain financing, syndicated loans, regulatory capital, mezzanine debt, structured credit and asset-based lending. The Partnership will invest in both senior and subordinated debt subject to the advice and recommendations of their Credit Advisors with the intent of building a portfolio, either directly or indirectly, of private income generating securities. Note to Investment Professionals: The information in the Monthly Report is being provided to current investors in the Fund and is being provided to their registered dealers for informational purposes only.

This is not a sales literature and cannot be used as such. The Fund is not a trust company and does not carry on business as a trust company and, accordingly, the Fund is not registered under the trust company legislation of any jurisdiction. Units of the Fund are not 'deposits' within the meaning of the Canada Deposit Insurance Corporation Act (Canada) are not insured under provisions of that Act or any other legislation.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to U.S. persons except pursuant to an exemption from the registration requirements of those laws. The information provided herein is for information purposes only and does not constitute a solicitation, public offering, advice or recommendations to buy or sell interests in the Fund, the Portfolio, Units or any other Next Edge Product. Please refer to the Fund's Offering Memorandum for more information on the Fund as any information in this Report is qualified in its entirety by the disclosure therein.

Opinions expressed are those of the author as of the date of their publication, are subject to change and may not reflect the opinion of all members of the Company. Some statements contained in this material concerning goals, strategies, outlook or other non-historical matters may be "forward-looking statements" and are based on current indicators and expectations at the date of their publication. We undertake no obligation to update or revise them. Forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those implied in the statements.

1 Toronto St, Suite 200, Toronto, ON M5C 2V6
CLIENT SERVICES 1.844.656.2321
TF 1.877.860.1080 **T** +1.416.775.3600
info@nextedgecapital.com