

Italo SICAV p.l.c.

Audited Financial Statements
for the year ended 31 December 2021

Company Registration Number: SV 347

Italo SICAV p.l.c.

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Italo SICAV p.l.c.

Management and Administration

DIRECTORS	Mr Noel Vella Mr Keith Farrugia (appointed 1 March 2022) Mr Roberto Fior Mr Angelo Frascino
REGISTERED OFFICE	171, Old Bakery Street Valletta, VLT 1455, Malta
COMPANY REGISTRATION NUMBER	SV 347
INVESTMENT MANAGER	Gamma Capital Markets Limited 259, St Paul Street Valletta VLT 1213 Malta
COMPANY ADMINISTRATOR, REGISTRAR AND TRANSFER AGENT	Calamatta Cuschieri Fund Services Limited Ewropa Business Center Triq Dun Karm Birkirkara, BKR 9034, Malta
DEPOSITARY	Zarattini International Limited 171, Old Bakery Street Valletta, VLT 1455, Malta
LEGAL ADVISORS (MALTA)	GANADO Advocates 171, Old Bakery Street Valletta, VLT 1455, Malta
COMPANY SECRETARY	GANADO Services Limited 171, Old Bakery Street Valletta, VLT 1455, Malta
AUDITORS	PricewaterhouseCoopers 78 Mill Street, Zone 5, Central Business District, Qormi, CBD 5090, Malta
MASTER SERVICER	Credit Network & Finance SpA Via Flavio Gioia, 39 37135 Verona VR, Italy
INVESTMENT ADVISER	Banca Zarattini & Co. SA Via Balestra, 17 6900 Lugano, Switzerland

Italo SICAV p.l.c.

Managers' Report

Italo SICAV p.l.c.

Italo SICAV p.l.c. (the 'Company') is licensed by the Malta Financial Services Authority ("MFSA") as an Alternative Investment Fund whose investors may comprise Qualifying Investors. Shares in the sub-funds may only be marketed outside Malta to Professional Investors as defined in the AIFMD.

The Company's sub-funds are closed-ended. Investors do not have any general right or opportunity to redeem their Investor Shares, however the Investment Manager may in certain circumstances mandatorily redeem Investor Shares at the NAV per share on the relevant redemption date.

The Company constitutes Segregated sub-funds. The investment objective of the sub-funds is capital appreciation over the lifetime of the respective sub-fund which it seeks to achieve primarily by investing, directly or indirectly, in portfolios of unsecured performing and non-performing loans (NPLs) issued by Italian credit institutions and other financial institutions authorised to originate loans. The sub-funds will not invest in any foreclosed loans. There is no guarantee that the investment objective of the sub-funds will be achieved, and investment results may vary substantially over time.

The Investment Manager aims to construct a diversified portfolio of loans for the sub-funds with diversification both at the level of the Originators as well as by place of residence of the debtors.

As at 31 December 2021 (and 31 December 2020), the Company has established the following sub-funds:

- Sentinel Fund
- Sentinel II Fund
- Sentinel III Fund
- Sentinel IV Fund.

The sub-funds invest in non-performing loans either directly or indirectly through Italo SPV S.r.l., a securitization vehicle registered in Italy.

Sub-funds Overview

Non-Performing Exposures ("NPE") Portfolio transactions continue to play a significant role in European banks' deleveraging activities as they address the stock of non-core activities still held on their balance sheets. The measures set out by the European Commission in its "Action Plan to Tackle Non-Performing Loans in Europe" framework ("Action Plan") are keeping high pressure on banks, regulators and legislators to both address existing stocks of NPEs, and ensure adequate measures are in place to avoid future increases in NPE stocks across the EU. Most recently, regulators have started to focus their attention on the increasing operational risk that has been accumulating in the largest servicing platform following years of deleveraging activities.

ITALO SICAV P.L.C.

Managers' Report (continued)

Valuation Process for the sub-funds' portfolios

The Investment Manager has identified six approaches to value non-performing loans. The approaches are based on an initial categorisation that considers mainly the way that loans are being repaid and whether a legal judgement is still in process.

(i) *Voluntary Repayment through Agreement*

This method is applied every time an agreement to repay the debt exists between the debtor and the Master Servicer. In this case, the valuation is performed through a discounted cash flow approach based on the signed agreement between the parties. The forecasted cashflows used in the model are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts. The valuation also considers the higher uncertainty of the future cash flows by applying additional parameters related to the debtor to further discount the loan value.

(ii) *Current Legal Foreclosure*

This method is applied every time a debtor is repaying as a result of a legal verdict. A discounted cash flow is also used in this case. The forecasted cashflows used in the model are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts. For these types of loans there is less uncertainty because the payments are collected directly from the debtor's sources of income. The only risk of losing the cash flows in this class is if the debtor loses his/her sources of income or dies.

(iii) *Future Legal Foreclosure*

This method is employed for all those loans that are not in the previous categories that satisfy the following criteria:

- A legal process has started or is in preparation;
- The source of income of the debtor is known;
- In the case the source of income is not known but the employment/retirement condition of the debtor is known, and it is either employed or retired;
- The debtor is not deceased.

The value of this category of loans is calculated by considering the recoverable amounts obtained for loans in this category in previous sales. The recoverable amounts are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts.

(iv) *Loans without a Contract*

Loans without a contract are valued at 0.2% of the notional amount of the loan. This is based on expert valuation advice and market knowledge.

(v) *Prescribed Loans*

The value of prescribed loans is based on past recoveries, where the recoveries up to valuation date are projected forward until the closing date of the fund to find the residual value of such loans.

(vi) *UTOOL*

Should a loan not fall in the above-mentioned categories, valuation is performed through a third-party modelling software. The model uses inputs on the loans together with other data to calculate the probability of recovery of each loan using statistical models and algorithms. The forecasted cashflows used in the model are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts.

ITALO SICAV P.L.C.

Managers' Report (continued)

Performance of the sub-funds

The performance of the sub-funds can be summarised as follows:

Date	Sentinel Fund	Annual movement		Sentinel II Fund	Annual movement
	€	%		€	%
31 Dec 2019	185.8661	-6.17%		145.3337	-4.20%
31 Dec 2020*	163.4841	-12.04%		124.5106	-14.33%
31 Dec 2021	126.5586	-22.58%		72.8131	-41.52%

Date	Sentinel II Fund	Annual movement		Sentinel IV Fund	Annual movement
	€	%		€	%
31 Dec 2019	122.8162	-4.54%		103.3532	3.35%
31 Dec 2020*	110.0674	-10.38%		89.8475	-13.07%
31 Dec 2021	85.8400	-22.01%		72.5223	-19.28%

The above figures represent Net Asset Values per share calculated using calculation methodologies specified in the funds' offering supplements.

* During the year 2020 the movement in NAV/share also reflects the effects of distributions to shareholders and therefore does not represent solely performance of the fund.

Over the first quarter of 2021, the Non-Performing Loan ('NPL') market saw no major changes. During the second quarter of 2021, a revision of the valuation methodology was carried out. This was triggered by the COVID-19 pandemic, which has forced a more cautious approach in the valuation methodology. The pandemic and its repercussions, which were felt everywhere particularly in the Italian market in 2021, led to a change in parameters which impacted mostly those loans which hadn't yet been legalized. For such loans, a much more conservative approach was adopted, which led to the drop in valuation in Q2 2021. Q3 valuation was then relatively stable. The sale of Project Titan II was concluded during Q2 2021 and thus the effect of the sale is being reflected in the same quarter. Titan II sale consisted of the sale of 2,423 loans with a Gross Book Value of €65.6million. This portfolio of loans was sold for €6.2m, gross of fees paid to the Master Servicer and the Investment Advisor.

In the spite of the measures taken by Italian Government and EU to support stability and the vaccine schedule effects, operators are facing rising volatility and pervasive uncertainty due to the economic stress relating the COVID-19 pandemic scenario, even if some of the expected NPL stock growth has not actually occurred yet. However, the macroeconomic figures, together with the FED and ECB monetary policies expectations, create room for a new wave of Unlikely-to-Pay Loans ('UTPs) and NPLs to be disposed on the market. Price gap balance between sellers and buyers together with the capabilities of the Servicers to receive and manage the new amount of bad loans is still questionable.

ITALO SICAV P.L.C.

Managers' Report (continued)

Performance of the sub-funds (continued)

The negative performance of the sub-funds' portfolio highlighted the big impact caused by the combination of:

1. the effects on recoveries and collections due to the slowdown of Italian courts
2. the economic and companies' scenario due to Covid.

Throughout the year, operators continued to face rising volatility and persistent uncertainty due to the economic stress relating the COVID-19 pandemic, even though the expected growth in NPL stock still didn't materialize. Some of the action taken by the Government started to leave its fruit in starting to drive the economy forward. However, the macroeconomic figures still predict a new wave of UTP (unable to pay) and NPLs. The price gap between sellers and buyers persists, while the capabilities of the Servicers to receive and manage the new expected stock of NPLs is still questionable.

The continued underperformance in securitizations during 4Q21 again highlighted the importance of an integrated recovery and credit management strategy to counterbalance the already known effects on collections due to the slowdown of Italian Courts activities and the economic impact on consumers and companies due to Covid.

Despite the challenges faced by the NPL primary market as highlighted above, the secondary market continued to show good activity and momentum with high interest from investors in this Italian asset class. Current volumes of negotiation and interest on new sale projects continued to strengthen this and further highlighted that attention is specifically given by investors to explicit and well packed cluster of asset classes such as cash flow generating portfolios or "semi secured" legally processed loans. With such an asset class, investors manage to diversify their risk as well as having NPLs with higher enforceability than a plain vanilla NPL loan.

During the last quarter of 2021, discussions were initiated for a possible sale, Project Pegasus. This project involved the possible sale of over 4,700 loans with a GBV exceeding Eur99 million. Several marketing material was prepared and distributed between a number of competitive bidders, which were followed by Q&A sessions, due diligence exercises and management meetings. After several meetings and presentations, the sale was in fact concluded in the first quarter of 2022. The final terms of Project Pegasus consisted of the sale of 4,706 loans, with a Gross Book Value of Eur99,605,658. This portfolio of loans was made up of 3,586 legalised loans and 1,120 re-performing loans. The portfolio was sold for 10.44% of GBV, that is Eur10.4 million, gross of fees paid to the Master Servicer and the Investment Advisor.

Italo SICAV p.l.c.

Directors' Report

The Directors present the audited financial statements for Italo SICAV p.l.c. ('the Company' or 'the Fund') for the year ended 31 December 2021.

These financial statements have been prepared for the year from 1 January 2021 to 31 December 2021. As at 31 December 2021, the Company consisted of four sub-funds: Sentinel Fund, Sentinel II Fund, Sentinel III Fund and Sentinel IV Fund (collectively "the sub-funds").

The Directors are responsible for ensuring that the financial statements are complete and accurate in all material aspects and conform to the applicable regulations.

Principal activities

Italo SICAV p.l.c. was registered on 21 January 2015. The Company is a closed-ended collective investment scheme established as a multi-fund investment company with variable share capital (SICAV) incorporated with limited liability under the laws of Malta and licensed by the MFSA as an Alternative Investment Fund ('AIF') targeting Qualifying Investors in terms of the Investment Services Act (ISAct).

Performance and dividends

The aggregate net assets attributable to shareholders as at 31 December 2021 stood at €40,510,660 (2020: €57,122,263).

sub-fund	NAV/unit 31.12.2020 EUR	NAV/unit 31.12.2021 EUR	YTD %	NAV EUR	Net Sub/Red EUR
Sentinel Fund	163.48	126.56	-22.58%	5,315,460	-
Sentinel II Fund	124.51	72.81	-41.52%	13,134,675	-
Sentinel III Fund	110.07	85.84	-22.01%	12,850,199	-
Sentinel IV Fund	89.85	72.52	-19.28%	9,210,326	-

For a detailed explanation about the decrease in NAV/unit during 2021 refer to the Manager's report.

Results for the year under review can be found in the statement of comprehensive income on page 16. The sub-funds did not make any distributions for the year ended 31 December 2021 (2020: €1,600,000).

The COVID-19 pandemic has resulted in a global economic shock as a result of restrictions imposed in order to reduce the impact of the disease on public health both in 2020 and in 2021. The Directors have taken due consideration of the performance and outlook for the sub-funds, and have a reasonable expectation that the impact of the current challenging economic environment does not create a material uncertainty that casts doubt upon the Company's ability to continue operating as a going concern for the foreseeable future.

Italo SICAV p.l.c.

Directors' Report

Standard Licence Conditions

The annual audited financial statements for the year ended 31 December 2021 were submitted to the MFSA late.

During 2020 the Company was subject to a routine Anti Money Laundering ('AML') thematic visit by the MFSA on behalf of the FIAU. At the time of signing of these financial statements the final outcome of the visit has yet to be communicated to the Company.

Principal risk and uncertainties

The principal risks and uncertainties facing the Company relate to the financial instruments held by the sub-funds are set out in note 16 to the financial statements.

Event after the reporting date and future developments

Post year end there were two capital distributions. The first distribution was in relation to two sales, the direct portfolio sale for Sentinel II sub-fund (concluded in 2022), and the Titan II portfolio sale (concluded in 2021). The amounts distributed were as follows: €700,000 for Sentinel I, €4,000,000 for Sentinel II, and €1,000,000 for Sentinel III. Also post year end, a number of loans were earmarked for disposal from the NPL portfolios as follows: Sentinel I (320 loans), Sentinel II (about 306 loans) and Italo SPV (Dora Portfolio - 2690 loans and Venice portfolio - 1,390 loans). The disposal was completed by the end of Q1 2022. The sale generated positive cash flows that, were again used for capital reimbursement to investors. In fact, a second distribution was made in relation to the Pegasus sale. The amounts distributed were as follows: €1,080,000 for Sentinel I, €2,600,000 for Sentinel II, €3,100,000 for Sentinel III and €200,000 for Sentinel IV. Moreover, at the start of the second quarter of 2022, a repayment of the loan which Sentinel I granted Dora SPV was made, which was followed by another repayment of the loan that Sentinel I granted to Sentinel IV.

In the 1Q22 operators continued to face rising volatility and uncertainty due to the economic stress relating the COVID-19, which effects were still felt by the society and more so due to the geo-political landscapes, specifically the unexpected war scenario in the middle of Europe which is leading to a high inflation environment. This may lead to macroeconomic shock that could create room for a new wave of UTPs and NPLs.

Securitizations are still registering an average underperformance in 1Q22, which stresses the impact that the existing slow recovery combined with the continuously developing macro-economic scenarios in 2022 mainly triggered by the war in Ukraine, are having on the economy in general.

Subsequent to year end, the investors were notified of the Directors' intention to extend the life of Sentinel II and Sentinel III sub-funds.

The Directors expect that the present value of activity to continue in the foreseeable future.

ITALO SICAV P.L.C.

Directors' Report (continued)

Directors

The Directors, who held office during the year under review, are listed on page 1. In accordance with the Company's Articles of Association, all Directors shall not be required to retire by rotation.

Statement of directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of the profit or loss for that year.

In preparing the financial statements, the Directors are responsible for:


- i. ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- ii. selecting and applying appropriate accounting policies;
- iii. making accounting estimates that are reasonable in the circumstances; and
- iv. ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing, and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap.386). The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Auditors

The auditors, PricewaterhouseCoopers Malta, have expressed their willingness to continue in office and a resolution proposing their reappointment will be put before the members at the next annual general meeting.

This report was approved and authorised for issue by the Board of Directors on 22 July 2022, and signed on its behalf by:



Noel Vella
Director



Keith Farrugia
Director



Independent auditor's report

To the Shareholders of Italo SICAV p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Italo SICAV p.l.c. (the Company) as at 31 December 2021, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Italo SICAV p.l.c.'s financial statements, set out on pages 14 to 57, comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

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) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.



Independent auditor's report - continued

To the Shareholders of Italo SICAV p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the Management and Administration section, the Manager's report and the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:



Independent auditor's report - continued

To the Shareholders of Italo SICAV p.l.c.

- Identify and assess the risks of material misstatement of the financial statements, 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 directors.
- Conclude on the appropriateness of the directors' 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 auditor's report to the related disclosures in the financial statements 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 auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's investments and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors 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.

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.



Area of the <i>Annual Report and Financial Statements 2021</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 6 to 8)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. the financial statements are not in agreement with the accounting records and returns. we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. 	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of Italo SICAV p.l.c.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta

A handwritten signature in blue ink that reads 'Joanne Saliba'.

Joanne Saliba
Director

22 July 2022


Italo SICAV p.l.c.

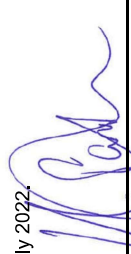
Statement of Financial Position

as at 31 December 2021

Notes	Italo SICAV p.l.c. Combined Statement		Italo SICAV p.l.c.		Sentinel Fund		Sentinel II Fund		Sentinel III Fund		Sentinel IV Fund	
	2021	€	2021	€	2021	€	2021	€	2021	€	2021	€
ASSETS												
	Financial assets at fair value through profit and loss											
9		36,489,254	-		3,474,100		12,299,771		11,344,383			9,371,000
10	Trade and other receivables	883,473	1,000		679,841		121,316		24,483			56,833
12	Cash and cash equivalents	4,370,729	-		1,297,447		1,378,232		1,572,188			122,862
	Total assets	41,743,456	1,000		5,451,388		13,799,319		12,941,054			9,550,695
LIABILITIES												
8	Management fees payable	327,372	-		29,673		106,141		53,524			138,034
8	Directors fees payable	6,819	-		756		2,474		1,819			1,770
8	Financial agent fees payable	37,013	-		9,365		27,648		-			-
8	Administration fees payable	25,166	-		3,781		5,041		5,041			11,303
11	Trade and other payables	835,426	-		92,354		523,340		30,471			189,261
	Total liabilities	1,231,796	-		135,929		664,644		90,855			340,368
EQUITY												
5	Founder shares	1,000	1,000		-		-		-			-
	Par value of investor shares	48,308,840	-		4,050,000		17,388,900		14,169,940			12,700,000
	Retained earnings/(Accumulated losses)	(7,798,180)	-		1,265,460		(4,254,225)		(1,319,741)			(3,489,674)
	Total equity	40,511,660	1,000		5,315,460		13,134,675		12,850,199			9,210,326
	Total liabilities and equity	41,743,456	1,000		5,451,389		13,799,319		12,941,054			9,550,694
7	Net assets attributable to shareholders				5,315,460		13,134,675		12,850,199			9,210,326
Number of Shares issued:												
5	Founder Shares		1,000		-		-		-			-
5	Investor Shares		-		42,000,000		180,389,000		149,699,400			127,000,000
	Net asset value per Investor Share per IFRS				126.56		72.81		85.84			72.52

The notes to the financial statements form an integral part of these financial statements.
The financial statements on pages 14 to 57 were approved and signed by the board of director on 22 July 2022.


Noel Vella
Director


Keijn Farrugia
Director

Italo SICAV p.l.c.

Statement of Financial Position

as at 31 December 2020

	Notes	Italo SICAV p.l.c. Combined Statement		Italo SICAV p.l.c.		Sentinel Fund		Sentinel II Fund		Sentinel III Fund		Sentinel IV Fund	
		2020	€	2020	€	2020	€	2020	€	2020	€	2020	€
ASSETS													
Financial assets at fair value through profit and loss													
Trade and other receivables	9	58,118,220	-	5,265,599	-	25,230,019	16,247,408	11,375,194					
Cash and cash equivalents	10	1,559,369	1,000	1,515,077		36,272	3,574	3,446					
Total assets	12	3,034,549	-	337,477	-	1,510,869	1,095,585	90,618					
		62,712,138	1,000	7,118,153		26,777,160	17,346,567	11,469,258					
LIABILITIES													
Management fees payable													
Directors fees payable	8	175,514	-	37,811	-	58,825	42,002	36,876					
Financial agent fees payable	8	6,299	-	750	-	2,516	1,771	1,262					
Administration fees payable	8	285,712	-	41,312	-	244,400	-	-					
Incentive fee payable	8	27,106	-	3,749	-	13,357	5,000	5,000					
Advanced redemptions payable out of par value of shares	8	3,357,148	-	-	-	3,357,148	-	-					
Trade and other payables	6	1,600,000	-	150,000	-	650,000	800,000	-					
Total liabilities	11	137,096	-	18,195	-	66,363	30,353	22,185					
		5,588,875	-	251,817	-	4,392,609	879,126	65,323					
EQUITY													
Founder shares	5	1,000	1,000	-	-	-	-	-					
Par value of investor shares		48,308,840	-	4,050,000	-	17,388,900	14,169,940	12,700,000					
Retained earnings/(Accumulated losses)		8,813,423	-	2,816,336	-	4,995,651	2,297,501	(1,296,065)					
Total equity		57,123,263	1,000	6,866,336		22,384,551	16,467,441	11,403,935					
Total liabilities and equity		62,712,138	1,000	7,118,153		26,777,160	17,346,567	11,469,258					
Net assets attributable to shareholders													
Number of Shares issued:	7	57,214,352	-	6,866,366	-	22,460,340	16,477,020	11,410,626					
Founder Shares	5		1,000	-	-	-	-	-					
Investor Shares	5		-	42,000,00	-	180,389,00	149,699,40	127,000,00					
Net asset value per Investor Share			-	163,48	-	124,09	110,00	89,79					

The notes to the financial statements form an integral part of these financial statements.

Italo SICAV p.l.c.

Statement of Comprehensive Income

for the year ended 31 December 2021

Notes	Italo SICAV p.l.c.		Sentinel Fund	Sentinel II Fund	Sentinel III Fund	Sentinel IV Fund
	Combined Statement	SICAV p.l.c.				
	01/01/2021	01/01/2021	01/01/2021	01/01/2021	01/01/2021	01/01/2021
	to	to	to	to	to	to
	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021	31/12/2021
	€	€	€	€	€	€
Income						
	Net change in financial assets at fair value through profit and loss					
	(17,557,166)	-	(1,180,343)	(11,120,047)	(3,287,711)	(1,969,065)
	Other income (reversal of prior period accrued performance fees)					
8	3,357,148	-	-	3,357,148	-	-
	(14,200,018)	-	(1,180,343)	(7,762,899)	(3,287,711)	(1,969,065)
Expenses						
	Management fees					
8	521,747	-	29,673	216,467	160,787	114,820
	Administration fees					
8	74,418	-	15,033	23,041	20,041	16,303
	Depositary fees					
8	135,012	-	30,000	35,004	35,004	35,004
	Directors' fee					
8	24,954	-	3,000	9,818	7,201	4,935
	Financial agent fees					
8	112,084	-	36,755	75,329	-	-
	Other operating expenses					
13	1,500,790	-	250,963	1,110,612	94,239	44,976
	2,369,005	-	365,424	1,470,271	317,272	216,038
	Loss before tax	(16,569,023)	-	(1,545,767)	(9,233,170)	(3,604,983)
	(2,185,103)					
	Withholding taxes					
	(42,580)	-	(5,109)	(16,706)	(12,259)	(8,506)
	Total comprehensive loss for the year	(16,611,603)	-	(1,550,876)	(9,249,876)	(3,617,242)
	(2,193,609)					

The notes to the financial statements form an integral part of these financial statements.

Italo SICAV p.l.c.

Statement of Comprehensive Income

for the year ended 31 December 2020

Notes	Italo SICAV	Italo	Sentinel	Sentinel II	Sentinel III	Sentinel IV
	p.l.c. Combined Statement	SICAV p.l.c. 01/01/2020 to 31/12/2020	Fund 01/01/2020 to 31/12/2020	Fund 01/01/2020 to 31/12/2020	Fund 01/01/2020 to 31/12/2020	Fund 01/01/2020 to 31/12/2020
	€	€	€	€	€	€
Income						
Net change in financial assets at fair value through profit and loss	(7,067,162)	-	(500,588)	(3,094,113)	(1,877,140)	(1,595,321)
Other income (reversal of prior period accrued performance fees)	8 2,316,025	-	-	1,035,546	1,138,528	141,951
	(4,751,137)	-	(500,588)	(2,058,567)	(738,612)	(1,453,370)
Expenses						
Management fees	8 589,789	-	37,811	216,467	198,185	137,326
Administration fees	8 81,990	-	15,000	26,990	20,000	20,000
Depositary fees	8 135,000	-	30,000	35,000	35,000	35,000
Directors' fee	8 25,051	-	2,983	10,019	7,031	5,018
Financial agent fees	8 626,012	-	151,609	474,403	-	-
Other operating expenses	13 406,627	-	49,901	189,629	99,543	67,554
	1,864,469	-	287,304	952,508	359,759	264,898
Loss before tax	(6,615,606)	-	(787,892)	(3,011,075)	(1,098,371)	(1,718,268)
Total comprehensive loss for the year	(6,615,606)	-	(787,892)	(3,011,075)	(1,098,371)	(1,718,268)

The notes to the financial statements form an integral part of these financial statements.

Italo SICAV p.l.c.

Statement of Changes in Equity

for the year ended 31 December 2021

Italo SICAV p.l.c. Combined Statement	Founder	Par value of	Retained	Total
	shares	Investor shares	earnings	equity
	€	€	€	€
Balance at 1 January 2020	1,000	49,908,840	15,429,029	65,338,869
Capital repayments	-	(1,600,000)	-	(1,600,000)
Net decrease from share transactions	-	(1,600,000)	-	(1,600,000)
Total comprehensive loss for the year	-	-	(6,615,606)	(6,615,606)
Balance at 31 December 2020	1,000	48,308,840	8,813,423	57,123,263
Balance at 1 January 2021	1,000	48,308,840	8,813,423	57,123,263
Capital repayments	-	-	-	-
Net decrease from share transactions	-	-	-	-
Total comprehensive loss for the year	-	-	(16,611,603)	(16,611,603)
Balance at 31 December 2021	1,000	48,308,840	(7,798,180)	40,511,660
Sentinel Fund	Founder	Par value of	Retained	Total
	shares	Investor shares	earnings	equity
	€	€	€	€
Balance at 1 January 2020	-	4,200,000	3,604,228	7,804,228
Capital repayments	-	(150,000)	-	(150,000)
Net decrease from share transactions	-	(150,000)	-	(150,000)
Total comprehensive loss for the year	-	-	(787,892)	(787,892)
Balance at 31 December 2020	-	4,050,000	2,816,336	6,866,336
Balance at 1 January 2021	-	4,050,000	2,816,336	6,866,336
Capital repayments	-	-	-	-
Net decrease from share transactions	-	-	-	-
Total comprehensive loss for the year	-	-	(1,550,876)	(1,550,876)
Balance at 31 December 2021	-	4,050,000	1,265,460	5,315,460

Italo SICAV p.l.c.

Statement of Changes in Equity

for the year ended 31 December 2021

Sentinel II Fund	Founder shares	Par value of Investor shares	Retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2020	-	18,038,900	8,006,726	26,045,626
Capital repayments	-	(650,000)	-	(650,000)
Net decrease from share transactions	-	(650,000)	-	(650,000)
Total comprehensive loss for the year	-	-	(3,011,075)	(3,011,075)
Balance at 31 December 2020	-	17,388,900	4,995,651	22,384,551
Balance at 1 January 2021	-	17,388,900	4,995,651	22,384,551
Capital repayments	-	-	-	-
Net decrease from share transactions	-	-	-	-
Total comprehensive loss for the year	-	-	(9,249,876)	(9,249,876)
Balance at 31 December 2021	-	17,388,900	(4,254,225)	13,134,675

Sentinel III Fund	Founder shares	Par value of Investor shares	Retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2020	-	14,969,940	3,395,872	18,365,812
Capital repayments	-	(800,000)	-	(800,000)
Net decrease from share transactions	-	(800,000)	-	(800,000)
Total comprehensive loss for the year	-	-	(1,098,371)	(1,098,371)
Balance at 31 December 2020	-	14,169,940	2,297,501	16,467,441
Balance at 1 January 2021	-	14,169,940	2,297,501	16,467,441
Capital repayments	-	-	-	-
Net decrease from share transactions	-	-	-	-
Total comprehensive loss for the year	-	-	(3,617,242)	(3,617,242)
Balance at 31 December 2021	-	14,169,940	(1,319,741)	12,850,199

Italo SICAV p.l.c.

Statement of Changes in Equity

for the year ended 31 December 2021

Sentinel IV Fund	Founder shares	Par value of Investor shares	Retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2020	-	12,700,000	422,203	13,122,203
Capital repayments	-	-	-	-
Net decrease from share transactions	-	-	-	-
Total comprehensive loss for the year	-	-	(1,718,268)	(1,718,268)
Balance at 31 December 2020	-	12,700,000	(1,296,065)	11,403,935
Balance at 1 January 2021	-	12,700,000	(1,296,065)	11,403,935
Capital repayments	-	-	-	-
Net decrease from share transactions	-	-	-	-
Total comprehensive loss for the year	-	-	(2,193,609)	(2,193,609)
Balance at 31 December 2021	-	12,700,000	(3,489,674)	9,210,326

The notes to the financial statements form an integral part of these financial statements.

Italo SICAV p.l.c.

Statement of Cash Flows

for the year ended 31 December 2021

	Italo SICAV p.l.c.					
	Combined Statement	Italo SICAV p.l.c.	Sentinel Fund	Sentinel II Fund	Sentinel III Fund	Sentinel IV Fund
	01/01/2021 to 31/12/2021	01/01/2021 to 31/12/2021	01/01/2021 to 31/12/2021	01/01/2021 to 31/12/2021	01/01/2021 to 31/12/2021	01/01/2021 to 31/12/2021
Notes	€	€	€	€	€	€
Operating activities						
Net loss before tax	(16,569,023)	-	(1,545,767)	(9,233,170)	(3,604,983)	(2,185,103)
Non-cash items included in net income and other adjustments:	-					
Net change in financial assets at fair value through profit and loss	21,628,966	-	1,791,498	12,930,248	4,903,025	2,004,195
Net change in operating assets and liabilities						
Movement in trade and other receivables	675,896	-	835,236	(85,044)	(20,909)	(53,387)
Movement in trade and other liabilities	(4,357,079)	-	(115,888)	(3,727,965)	(788,271)	275,045
	1,378,760	-	965,079	(115,931)	488,862	40,750
Tax paid	(42,580)		(5,109)	(16,706)	(12,259)	(8,506)
Net cash flows generated from/(used) in operating activities	1,336,180	-	959,970	(132,637)	476,603	32,244
Net increase/(decrease) in cash and cash equivalents	1,336,180	-	959,970	(132,637)	476,603	32,244
Cash and cash equivalents at the beginning of the year	3,034,549	-	337,477	1,510,869	1,095,585	90,618
Cash and cash equivalents at the end of the year	4,370,729	-	1,297,447	1,378,232	1,572,188	122,862

Italo SICAV p.l.c.

Statement of Cash Flows

for the year ended 31 December 2020

	Italo SICAV p.l.c.		Sentinel	Sentinel II	Sentinel III	Sentinel IV
	Combined Statement	Italo SICAV p.l.c.	Fund	Fund	Fund	Fund
	01/01/2020 to 31/12/2020	01/01/2020 to 31/12/2020	01/01/2020 to 31/12/2020	01/01/2020 to 31/12/2020	01/01/2020 to 31/12/2020	01/01/2020 to 31/12/2020
Notes	€	€	€	€	€	€
Operating activities						
Net loss before distributions and tax	(6,615,606)	-	(787,892)	(3,011,075)	(1,098,371)	(1,718,268)
Non-cash items included in net income and other adjustments:						
Net change in financial assets at fair value through profit and loss	11,505,025	-	1,117,051	5,064,392	3,671,281	1,652,301
Net change in operating assets and liabilities						
Movement in trade and other receivables	(140,750)	-	(204,639)	1,738	35,864	26,287
Movement in trade and other liabilities	(2,807,013)	-	(83,961)	(901,193)	(1,625,800)	(196,059)
Net cash flows generated from/(used) in operating activities	1,941,656	-	40,559	1,153,862	982,974	(235,739)
Net increase/(decrease) in cash and cash equivalents	1,941,656	-	40,559	1,153,862	982,974	(235,739)
Cash and cash equivalents at the beginning of the year	1,092,893	-	296,918	357,007	112,611	326,357
Cash and cash equivalents at the end of the year	12 3,034,549	-	337,477	1,510,869	1,095,585	90,618

The notes to the financial statements form an integral part of these financial statements.

Italo SICAV p.l.c.

Notes to the Financial Statements

for the year ended 31 December 2021

1. General information

Italo SICAV p.l.c (“the Company”) is a closed-ended collective investment scheme established as a multi-fund investment company with variable share capital (SICAV) incorporated with limited liability under the laws of Malta and licensed by the MFSA under the Investment Services Act as an Alternative Investment Fund targeting Qualifying Investors.

The Company constitutes segregated sub-funds, which are segregated patrimonies and are represented by different classes of Investor Shares. The assets and liabilities of the sub-funds are treated under Maltese legislation as separate from the assets and liabilities of other sub-funds within the Company’s structure. Such sub-funds may also comprise or be sub-divided into more than one class of Investor Shares, which are not segregated patrimonies.

The Company has established the following sub-funds: Sentinel Fund, Sentinel II Fund, Sentinel III Fund and Sentinel IV Fund (collectively “the sub-funds”).

2. Significant accounting policies

(i) *Accounting convention and basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU), complying with the Companies Act, Cap. 386 of the Laws of Malta. The financial statements are prepared under the historical cost basis except for financial assets held at fair value through profit and loss.

As at 31 December 2021, the Company had four sub-funds: Sentinel Fund, Sentinel II Fund, Sentinel III Fund and Sentinel IV Fund. Each investor share which the Company issues is allocated to a class representing a particular sub-fund. The Company maintains a separate account for each sub-fund, to which proceeds are credited, and against which expenses are charged.

Separate Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have accordingly been prepared for each sub-fund. For the purpose of these financial statements, all references to net assets refer to the net assets attributable to holders of investor shares.

(ii) *Basis of consolidation*

In accordance with IFRS 10 ‘Consolidated Financial Statements’ (as amended), the Company will not present consolidated financial statements in terms of its investment in Italo SPV S.r.l., it being an investment entity which is valued at fair value through profit or loss.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Significant accounting policies (continued)

(iii) Changes in Accounting Policies

(a) Standards and amendments to existing standards effective 1 January 2021

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2021 that have a material effect on the financial statements of the Company.

(b) New standards, amendments and interpretations effective after 1 January 2021 and have not been early adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Company.

(iv) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised and in any future periods affected.

(v) Foreign exchange translation

The Company's and the sub-funds' functional currency is the Euro, which is the presentation currency used in the combined statement.

The sub-funds' functional currency is the currency of denomination of each sub-fund as stipulated in the respective offering documents. Transactions carried out in currencies other than the functional currency of the sub-funds, are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities designated in currencies other than the functional currency are translated into the functional currency at exchange rates ruling at the Company's period-end. All resulting differences are taken to the statement of comprehensive income.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Significant accounting policies (continued)

(vi) Financial instruments

a) Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below. In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables including accrued income and other receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding; or
- b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Italo SICAV p.l.c

Notes to the Financial Statements

for the year ended 31 December 2021

2. Significant accounting policies (continued)

(vii) Financial Instruments (continued)

Financial assets measured at fair value through profit or loss (FVPL) (continued)

The Company includes in this category both non-performing loans, debt instruments and also equity instruments:

- a) Equity instruments: Included within equity instruments are investments in subsidiaries and associates:
 - *Investment in subsidiaries*: in accordance with the exception under IFRS 10, the Company does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Company's investment activities. The Company does not have any consolidated subsidiaries. The Company measures unconsolidated subsidiaries (including loans to subsidiaries) at FVPL.

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading. The Company does not hold any financial liability measured at fair value through profit or loss.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category other short-term payables.

a) *Recognition*

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

b) *Initial measurement*

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss. Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

c) *Subsequent measurement*

After initial measurement, the Fund measures financial instruments which are classified as at FVPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Significant accounting policies (continued)

(vii) Financial Instruments (continued)

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that are created or retained by the Company are recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of comprehensive income. The Company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Company holds only receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Significant accounting policies (continued)

(viii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of non-exchange traded financial instruments is estimated using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the statement of financial position date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

(ix) Cash and cash equivalents

Cash comprises current deposits with the bank. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, with original maturities of three months or less and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(x) Founder and Investor Shares

Founder shares

Non-redeemable shares are classified as equity. Incremental costs directly attributable to the issue of non-redeemable shares are recognised as a deduction from equity. Founder shares are classified as equity.

Investor shares

The sub-funds of the Company are established as closed-ended funds. Investors have no redemption rights until the end of the divestment terms as specified in the respective offering documents at which point all shares in issue will be mandatorily redeemed. The Investment Manager reserves the right to set an interim mandatory redemption prior to the end of the divestment term. All interim mandatory redemptions are to be effected on a pro-rata basis for all investors with Investor Shares.

Italo SICAV p.l.c

Notes to the Financial Statements

for the year ended 31 December 2021

2. Significant accounting policies (continued)

(x) Founder and Investor shares (continued)

The Company has adopted IAS 32, 'Financial Instruments: Presentation'. However, the amended standards require puttable instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include:

- the puttable instrument must entitle the holder to a pro-rata share of net assets;
- the puttable instruments must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cashflows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

These conditions are met by the single share class of each of the sub-funds as at 31 December 2021 and 2020.

The redeemable participating shares are carried at the redemption amount that is payable at the date of financial position if the holder exercises the right to put the share back to the Master Fund.

Redeemable participating shares are issued and redeemed at holder's option at prices based on the sub-funds' respective net asset value per share at the time of issue or redemption. The sub-funds' net asset value per share is calculated by dividing the net assets attributable to the holders of redeemable participating shares with the total number of outstanding redeemable participating shares.

(xi) Income recognition

- (a) Net gains/losses from financial assets at fair value through profit or loss
Net gains/losses from financial assets at fair value through profit or loss include all realised and unrealised fair value changes, foreign exchange differences, and collections from loans.
- (b) Interest income
Interest income arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss category are presented in the Statement of Comprehensive Income within 'Net change in financial assets at fair value through profit and loss' in the year in which they arise.

(xii) Expenses

Expenses are accounted for on an accrual basis and are expensed as incurred.

Italo SICAV p.l.c.

Notes to the Financial Statements

for the year ended 31 December 2021

2. Significant accounting policies (continued)

(xiii) Taxation

The tax regime for collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001 as amended. In general, a prescribed fund is defined as a resident fund, which has declared that the value of its assets situated in Malta amount to at least 85% of the value of the total assets of the fund. Any fund of the Company which is classified as a prescribed fund for income tax purposes, would be subject to Maltese tax on its investment income as defined in the Income Tax Act at a rate of 10% or 15% depending on the nature of the income.

No tax on capital gains should be incurred by resident investors upon the disposal of units in such funds. On the other hand, any fund which is classified as a non-prescribed fund for income tax purposes would not be subject to tax on its income or gains, but resident investors therein may be subject to a 15% final withholding tax on capital gains realised on redemptions of units. However, the investor may request the Company not to effect the deduction of the said 15% withholding tax in which case the investor would be required to declare the gains in his income tax return and will be subject to tax at the normal rates of tax.

The sub-funds of the Company are classified as non-prescribed for income tax purposes.

3. Format of the financial statements

The statement of financial position presents assets and liabilities in increasing order of liquidity and does not distinguish between current and non-current items. Financial assets at fair value through profit and loss are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in accordance with the Company's investment strategy. All other assets and liabilities are expected to be realised within one year.

4. Critical accounting estimates and judgements

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Notes to the Financial Statements

for the year ended 31 December 2021

4. Critical accounting estimates and judgements (continued)

Valuation of distressed debt

The Investment Manager has identified six approaches to value non-performing loans. The approaches are based on an initial categorisation that considers mainly the way that loans are being repaid and whether a legal judgement is still in process.

(i) Voluntary Repayment through Agreement

This method is applied every time an agreement to repay the debt exists between the debtor and the Master Servicer. In this case, the valuation is performed through a discounted cash flow approach based on the signed agreement between the parties. The forecasted cashflows used in the model are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts. The valuation also considers the higher uncertainty of the future cash flows by applying additional parameters related to the debtor to further discount the loan value.

(ii) Current Legal Foreclosure

This method is applied every time a debtor is repaying as a result of a legal verdict. A discounted cash flow is also used in this case. The forecasted cashflows used in the model are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts. For these types of loans there is less uncertainty because the payments are collected directly from the debtor's sources of income. The only risk of losing the cash flows in this class is if the debtor loses his/her sources of income or dies.

(iii) Future Legal Foreclosure

This method is employed for all those loans that are not in the previous categories that satisfy the following criteria:

- A legal process has started or is in preparation;
- The source of income of the debtor is known;
- In the case the source of income is not known but the employment/retirement condition of the debtor is known, and it is either employed or retired;
- The debtor is not deceased.

The value of this category of loans is calculated by considering the recoverable amounts obtained for loans in this category in previous sales. The recoverable amounts are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts.

(iv) Loans without a Contract

Loans without a contract are valued at 0.2% of the notional amount of the loan. This is based on expert valuation advice and market knowledge.

Notes to the Financial Statements

for the year ended 31 December 2021

4. Critical accounting estimates and judgements (continued)

(v) *Prescribed Loans*

The value of prescribed loans is based on past recoveries, where the recoveries up to valuation date are projected forward until the closing date of the fund to find the residual value of such loans.

(vi) *UTOOL*

Should a loan not fall in the above-mentioned categories, valuation is performed through a third-party modelling software. The model uses inputs on the loans together with other data to calculate the probability of recovery of each loan using statistical models and algorithms. The forecasted cashflows used in the model are net of fees incurred by the sub-funds and expected to be charged by the master servicer for its services, including fees charged on recovered amounts.

Note that valuations may be materially different than actual recoverable amounts due to the nature of estimation uncertainty and assumptions inherent in valuing NPLs. A sensitivity analysis is disclosed in note 15.3.

5. Share capital

As the Company is organised as a Company with variable share capital, its share capital is equal to the value of the issued share capital of the Company at any time. The Company may issue up to a maximum of one thousand (1,000) Founder Shares and up to five billion (5,000,000,000) fully-paid up Investor Shares in each case without any nominal value assigned to them.

Founder Shares

The initial share capital of the Company is €1,000 divided into 1,000 Founder Shares with no nominal value, which shares constitute a separate class of shares of the Company but do not constitute a separate sub-fund. Banca Zarattini & Co. SA and Credit Network & Finance SPA each hold 500 founder shares.

The holders of the Founder Shares retain all the voting rights of the Company including the right to appoint all the Directors of the Company. Accordingly, the holders of the Founder Shares are also entitled to amend the Memorandum and Articles of Association. The Memorandum and Articles of Association empower the Directors to create different classes of shares from time to time.

Except to the extent that they have the right to a return of paid-up capital on winding-up, the Founder Shares do not participate in the assets of the Company. The holder of each Founder Share is entitled to one vote per share on all matters which may arise for consideration by the holders of the issued and outstanding Founder Shares of the Company. Each Investor Share or each Founder Share, when issued will be fully paid and non-accessible.

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Notes to the Financial Statements

for the year ended 31 December 2021

5. Share capital (continued)

Investor Shares

The Company may issue non-voting Investor Shares as may be specified in the Offering Supplement relating to a sub-fund.

The Company may issue additional classes of Investor Shares, constituting other sub-funds, which may be designated in other currencies, and the assets of which may be managed utilising different methodologies or investing in different markets.

The Company may also issue additional classes of Investor Shares forming part of existing sub-funds of the Company.

All Investor Shares of a sub-fund participate equally in the net assets of that sub-fund as are represented by the appropriate class(es) of Investor Shares on liquidation and in any dividends and other distributions attributable to that sub-fund as may be declared.

Other than, as stated above, no shares in the Company have preferential, pre-emptive, conversion or exchange rights and there are no outstanding options or any special rights relating to Investor Shares or Founder Shares.

Movements in the number of Investor Shares during the year ended 31 December 2021 and the year ended 31 December 2020 were as follows:

	Sentinel Fund 31/12/2021	Sentinel II Fund 31/12/2021	Sentinel III Fund 31/12/2021	Sentinel IV Fund 31/12/2021
Balance at the beginning of the year	42,000.0000	180,389.0017	149,699.4021	127,000.0000
Subscription of Investor shares	-	-	-	-
Shares in issue at end of year	42,000.0000	180,389.0017	149,699.4021	127,000.0000

	Sentinel Fund 31/12/2020	Sentinel II Fund 31/12/2020	Sentinel III Fund 31/12/2020	Sentinel IV Fund 31/12/2020
Balance at the beginning of the year	42,000.0000	180,389.0017	149,699.4021	127,000.0000
Subscription of Investor shares	-	-	-	-
Shares in issue at end of year	42,000.0000	180,389.0017	149,699.4021	127,000.0000

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Notes to the Financial Statements

for the year ended 31 December 2021

6. Amounts paid on advanced redemptions out of par value of shares

During 2021, there were no redemptions out of par value of shares.

During the prior year, the following sub-funds declared advanced redemptions out of par value of shares as follows:

	Sentinel Fund	Sentinel II Fund	Sentinel III Fund	Sentinel IV Fund
	31/12/2020	31/12/2020	31/12/2020	31/12/2020
	€	€	€	€
Total advanced redemptions out of par value	150,000	650,000	800,000	-

7. Net asset value per share

To determine the net asset value of each class of Investor Shares for subscriptions and redemptions, the Company amortises formation and due diligence expenses over 5 years, as stipulated by the Offering Memorandum. The following difference exists between the valuation of the Company for the purposes of determining the net asset value per share for share subscriptions and redemptions as opposed to the valuation of the Company as prescribed by IFRS.

	Sentinel Fund 31/12/2021	Sentinel II Fund 31/12/2021	Sentinel III Fund 31/12/2021	Sentinel IV Fund 31/12/2021
	€	€	€	€
Net assets attributable to shareholders as per NAV calculation	5,315,460	13,134,675	12,850,199	9,210,326
Adjustment for amortisation of formation expenses	-	-	-	-
Net assets attributable to shareholders as per financial statements	5,315,460	13,134,675	12,850,199	9,210,326
NAV per unit	126.56	72.81	85.84	72.52

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Notes to the Financial Statements

for the year ended 31 December 2021

7. Net asset value per share (continued)

	Sentinel Fund 31/12/2021	Sentinel II Fund 31/12/2021	Sentinel III Fund 31/12/2021	Sentinel IV Fund 31/12/2021
	€	€	€	€
Formation expenses at cost	-	75,789	9,579	6,691
Due diligence	-	-	-	-
Amortisation of expenses	-	(75,789)	(9,579)	(6,691)
Adjustments regarding capitalised formation expenses (recognised in statement of comprehensive income)	-	-	-	-
	Sentinel Fund 31/12/2020	Sentinel II Fund 31/12/2020	Sentinel III Fund 31/12/2020	Sentinel IV Fund 31/12/2020
	€	€	€	€
Net assets attributable to shareholders as per NAV calculation	6,866,336	22,460,340	16,477,020	11,410,626
Adjustment for amortisation of formation expenses	-	(75,789)	(9,579)	(6,691)
Net assets attributable to shareholders as per financial statements	6,866,336	22,384,551	16,467,441	11,403,935
NAV per unit	163.48	124.09	110.00	89.79
	Sentinel Fund 31/12/2020	Sentinel II Fund 31/12/2020	Sentinel III Fund 31/12/2020	Sentinel IV Fund 31/12/2020
	€	€	€	€
Formation expenses at cost	4,074	25,524	29,806	12,387
Due diligence	-	240,390	-	-
Amortisation of expenses	(4,074)	(190,125)	(20,227)	(5,696)
Adjustments regarding capitalised formation expenses (recognised in statement of comprehensive income)	-	75,789	9,579	6,691

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Notes to the Financial Statements

for the year ended 31 December 2021

7. Net asset value per share (continued)

	Sentinel Fund 31/12/2019 €	Sentinel II Fund 31/12/2019 €	Sentinel III Fund 31/12/2019 €	Sentinel IV Fund 31/12/2019 €
Net assets attributable to shareholders as per NAV calculation	7,806,378	26,216,607	18,385,518	13,125,850
Adjustment for amortisation of formation expenses	(2,150)	(170,981)	(19,706)	(3,647)
Net assets attributable to shareholders as per financial statements	7,804,228	26,045,626	18,365,812	13,122,203
NAV per unit	185.81	144.39	122.68	103.32
	Sentinel Fund 31/12/2019 €	Sentinel II Fund 31/12/2019 €	Sentinel III Fund 31/12/2019 €	Sentinel IV Fund 31/12/2019 €
Formation expenses at cost	4,074	25,524	29,806	4,211
Due diligence	-	240,390	-	-
Amortisation of expenses	(1,924)	(94,933)	(10,100)	(564)
Adjustments regarding capitalised formation expenses (recognised in statement of comprehensive income)	2,150	170,981	19,706	3,647

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Notes to the Financial Statements

for the year ended 31 December 2021

8. Fees

Management fees

(i) *Sentinel Fund*

The Investment Manager is entitled to a fee of up to 0.55% per annum based on the NAV on each Valuation day and payable annually in arrears.

Management fees during the year amounted to €29,673 (2020: €37,811) which remained wholly unpaid as at 31 December 2021 (2020: €37,811).

(ii) *Sentinel II Fund*

The Investment Manager is entitled to a fee of up to 2% per annum based on the aggregate Capital Contributions payable quarterly in arrears. The current investment management fee is set at 1.2% (2020: 1.2%).

Management fees during the year amounted to €216,467 (2020: €216,467) of which €106,141 (2020: €58,825) remained unpaid at year-end.

(iii) *Sentinel III Fund*

The Investment Manager is entitled to a fee of up to 2% per annum based on the NAV on each Valuation day and payable quarterly in arrears. The current investment management fee is set at 1.2% (2020: 1.2%).

Management fees during the year amounted to €160,787 (2020: €198,185) of which €53,524 (2020: €42,002) remained unpaid at year-end.

(iv) *Sentinel IV Fund*

The Investment Manager is entitled to a fee of up to 2% per annum based on the NAV on each Valuation day and payable quarterly in arrears. The current investment management fee is set at 1.2% (2020: 1.2%).

Management fees during the year amounted to €114,820 (2020: €137,326). €138,034 (2020: €36,876) remained unpaid at year-end.

Performance fees

(i) *Sentinel Fund*

The Investment Manager is not entitled to any performance fee.

Notes to the Financial Statements

for the year ended 31 December 2021

8. Fees (continued)

Performance fees (continued)

(ii) Sentinel II Fund

The Investment Manager, upon final distribution and any dividend declared by the Company, is entitled to receive an amount equal to one third of the aggregate amount distributed to all shareholders as Preferred Return, the 'Catch-Up Performance fees' following the payment of the Return of Capital and the Preferred Return to the Investors. Furthermore, the Investment Manager is entitled to a performance fee of 25% of the gains made by the sub-fund after the Return of Capital, the Preferred Return and the Catch-up Performance Fees are paid. Performance fees are calculated on the fair value of the sub-funds as at 31 December 2021. This amount may vary upon the realisation of the disposal of assets and distributions and dividend are declared upon which such fees are crystallised. During the year ended 31 December 2021, performance fees amounting to €3,357,148 (2020: €1,035,546) were released. As at 31 December 2021 no performance fees remained unpaid (2020: €3,357,148).

(iii) Sentinel III Fund

The Investment Manager, upon final distribution and any dividend declared by the Company, is entitled to receive an amount equal to one third of the aggregate amount distributed to all shareholders as Preferred Return, the 'Catch-Up Performance fees' following the payment of the Return of Capital and the Preferred Return to the Investors. Furthermore, the Investment Manager is entitled to a performance fee of 25% of the gains made by the sub-fund after the Return of Capital, the Preferred Return and the Catch-up Performance Fees are paid. Performance fee expense is calculated on the fair value of the sub-funds as at 31 December 2021. This amount may vary upon the realisation of the disposal of assets and distributions and dividend are declared upon which such fees are crystallised. During the year ended 31 December 2021, no performance fees (2020: €1,138,528) were released. At 31 December 2021 no performance fees remained unpaid (2020: Nil).

(iv) Sentinel IV Fund

The Investment Manager, upon final distribution and any dividend declared by the Company, is entitled to receive an amount equal to one third of the aggregate amount distributed to all shareholders as Preferred Return, the 'Catch-Up Performance fees' following the payment of the Return of Capital and the Preferred Return to the Investors. Furthermore, the Investment Manager is entitled to a performance fee of 25% of the gains made by the sub-fund after the Return of Capital, the Preferred Return and the Catch-up Performance Fees are paid. Performance fee expense is calculated on the fair value of the sub-funds as at 31 December 2021. This amount may vary upon the realisation of the disposal of assets and distributions and dividend are declared upon which such fees are crystallised. During the year ended 31 December 2021, no performance fees (2020: €141,951) were released. At 31 December 2021 no performance fees remained unpaid (2020: Nil).

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Notes to the Financial Statements

for the year ended 31 December 2021

8. Fees (continued)

Administration fees

(i) Sentinel Fund

The Company pays to the Administrator an Administration Fee calculated as follows:

- For NAV up to and including €5m - €10,000 per annum
- For NAV up to and including €10m - €15,000 per annum
- For NAV up to and including €20m - €20,000 per annum
- For NAV in excess of €20m - 0.10% of the NAV

Register and Transfer Agent fees are waived up to 5 investors, after which fees are charged at €150 per investor per annum and €50 per shareholder transaction. Such fees shall accrue at each valuation day and be payable annually in arrears.

Administration fees during the year amounted to €15,033 (2020: €15,000) of which €3,781 (2020: €3,749) were unpaid at year-end.

(ii) Sentinel II Fund

The Company pays to the Administrator an Administration Fee calculated as follows:

- For NAV up to and including €5m - €10,000 per annum
- For NAV up to and including €10m - €15,000 per annum
- For NAV up to and including €20m - €20,000 per annum
- For NAV in excess of €20m - 0.10% of the NAV

Register and Transfer Agent fees are waived up to 5 investors, after which fees are charged at €150 per investor per annum and €50 per shareholder transaction. Such fees shall accrue at each valuation day and be payable annually in arrears.

Administration fees during the year amounted to €23,041 (2020: €26,990) of which €5,041 (2020: €13,357) were unpaid at year-end.

(iii) Sentinel III Fund

The Company pays to the Administrator an Administration Fee calculated as follows:

- For NAV up to and including €5m - €10,000 per annum
- For NAV up to and including €10m - €15,000 per annum
- For NAV up to and including €20m - €20,000 per annum
- For NAV in excess of €20m - 0.10% of the NAV

Register and Transfer Agent fees are waived up to 5 investors, after which fees are charged at €150 per investor per annum and €50 per shareholder transaction. Such fees shall accrue at each valuation day and be payable annually in arrears.

Administration fees during the year amounted to €20,041 (2020: €20,000) of which €5,041 (2020: €5,000) were unpaid at year-end.

Italo SICAV p.l.c

Notes to the Financial Statements

for the year ended 31 December 2021

8. Fees (continued)

Administration fees (continued)

(iv) Sentinel IV Fund

The Company pays to the Administrator an Administration Fee calculated as follows:

- For NAV up to and including €5m - €10,000 per annum
- For NAV up to and including €10m - €15,000 per annum
- For NAV up to and including €20m - €20,000 per annum
- For NAV in excess of €20m - 0.10% of the NAV

Register and Transfer Agent fees are waived up to 5 investors, after which fees are charged at €150 per investor per annum and €50 per shareholder transaction. Such fees shall accrue at each valuation day and be payable annually in arrears.

Administration fees during the year amounted to €16,303 (2020: €20,000) of which €11,303 (2020: €5,000) were unpaid at year-end.

Depositary fee

The Company pays to the Depositary the following Depositary Fee for each sub-fund:

- Sentinel Fund €30,000 per annum;
- Sentinel II Fund €35,000 per annum;
- Sentinel III Fund €35,000 per annum; and
- Sentinel IV Fund €35,000 per annum.

Depositary fees for the year amounted to:

- Sentinel Fund €30,000 (2020: €30,000);
- Sentinel II Fund €35,000 (2020: €35,000);
- Sentinel III Fund €35,000 (2020: €35,000); and
- Sentinel IV Fund €35,000 (2020: €35,000).

Depositary fees for all sub-funds were entirely paid as at 31 December 2020 and 2020.

Directors

The maximum sum, which can be paid to the Directors of the Company in total, shall not exceed €70,000 per annum. Directors' fees incurred by the Company amounted to €24,954 (2020: €25,051) of which €6,819 (2020: €6,299) were unpaid as at year-end.

Italo SICAV p.l.c.

Notes to the Financial Statements

for the year ended 31 December 2021

8. Fees (continued)

Financial agent fees

The Company appointed Credit Network & Finance SpA as the Master Servicer, which is responsible for the recovery of loans acquired by the sub-funds.

The Master Servicer is remunerated as follows:

- Success fees at 20% of the amount recovered and paid under each NPL; and
- Other costs of recovery including postage, clerical, administrative and judicial costs incurred by the Master Servicer.

During the year ended 31 December 2021, Sentinel Fund incurred €36,755 (2020: €151,609) financial agent fees. As at 31 December 2021, €9,365 (2020: €41,312) were unpaid.

During the year ended 31 December 2021, Sentinel Fund II incurred €75,329 (2019: €474,403) financial agent fee. As at 31 December 2021, €27,648 (2020: €244,400) were unpaid.

During the years ended 31 December 2021 and 2020, Sentinel Fund III and Sentinel Fund IV did not incur any financial agent fees.

9. Financial assets at fair value through profit and loss

Sentinel Fund	31/12/2021		31/12/2020	
	Fair value €	% of net assets	Fair value €	% of net assets
<i>Financial assets designated at fair value through profit or loss at inception</i>				
Non-performing loans	2,391,150	44.98%	3,689,977	53.74%
Investment in Italo SPV S.r.l.	1,082,950	20.37%	1,575,622	22.95%
	3,474,100	65.36%	5,265,599	76.69%

Sentinel II Fund	31/12/2021		31/12/2020	
	Fair value €	% of net assets	Fair value €	% of net assets
<i>Financial assets designated at fair value through profit or loss at inception</i>				
Non-performing loans	4,634,992	35.29%	14,254,859	63.68%
Investment in Italo SPV S.r.l.	7,664,779	58.36%	10,975,160	49.03%
	12,299,771	93.64%	25,230,019	112.71%

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for the year ended 31 December 2021

9. Financial assets at fair value through profit and loss (continued)

Sentinel III Fund	31/12/2021		31/12/2020	
	Fair value €	% of net assets	Fair value €	% of net assets
<i>Financial assets designated at fair value through profit or loss at inception</i>				
Investment in Italo SPV S.r.l.	11,344,383	88.28%	16,247,408	98.66%
	11,344,383	88.28%	16,247,408	98.66%
Sentinel IV Fund	31/12/2021		31/12/2020	
	Fair value €	% of net assets	Fair value €	% of net assets
<i>Financial assets designated at fair value through profit or loss at inception</i>				
Investment in Italo SPV S.r.l.	9,371,000	101.74%	11,375,194	99.75%
	9,371,000	101.74%	11,375,194	99.75%

Italo SPV S.r.l is a special-purpose securitisation vehicle ultimately owned by Italo SICAV p.l.c. Its registered address is Conegliano (TV), Via. V. Alfieri, 1 CAP 31015, Italy. The directors of Italo SPV S.r.l are Roberto Fior, Angelo Frascino and Matteo Massimo Martini.

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Notes to the Financial Statements

for the year ended 31 December 2021

10. Trade and other receivables

	Italo SICAV p.l.c. Combined Statement 31/12/2021 €	Sentinel Fund 31/12/2021 €	Sentinel II Fund 31/12/2021 €	Sentinel III Fund 31/12/2021 €	Sentinel IV Fund 31/12/2021 €
Amounts due from related parties (i)	1,000	-	-	-	-
Other prepaid expenses	6,491	168	1,630	3,074	1,619
Loan receivable from Italo SPV S.r.l. (iii)	499,233	499,233	-	-	-
Other receivables (ii)	376,749	180,440	119,686	21,409	55,214
	883,473	679,841	121,316	24,483	56,833

	Italo SICAV p.l.c. Combined Statement 31/12/2020 €	Sentinel Fund 31/12/2020 €	Sentinel II Fund 31/12/2020 €	Sentinel III Fund 31/12/2020 €	Sentinel IV Fund 31/12/2020 €
Amounts due from related parties (i)	1,000	-	-	-	-
Other prepaid expenses	12,097	1,115	3,962	3,574	3,446
Loan receivable from Italo SPV S.r.l. (iii)	1,499,233	1,499,233	-	-	-
Other receivables (ii)	47,039	14,729	32,310	-	-
	1,559,369	1,515,077	36,272	3,574	3,446

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Notes to the Financial Statements

for the year ended 31 December 2021

10. Trade and other receivables (continued)

- (i) Amounts due from related parties are unsecured, interest free and repayable on demand.
- (ii) Other receivables for 2021 pertain to amounts collected by the Master Servicer but are yet to be deposited to the sub-funds' accounts at year-end. This was the same for 2020. The 2021 amount for Sentinel II fund also includes a short-term loan to Sentinel IV.
- (iii) During the year ended 31 December 2018 Sentinel I entered into an agreement with Italo SPV S.r.l to advance an amount up to €1,500,000 by way of loan capital, repayable on demand to be used by the SPV in accordance with the investment objective, policies and restrictions of the SPV as set out in the Offering Supplement. The loan shall bear an interest of 1.5% per annum. During financial year 31 December 2021, the SPV repaid the amount of €1,000,000 (2020: draw-down of €261,000), and the balance as at year end is €499,233 which is recognised within other receivables (in Sentinel I) and other payables (in Sentinel II).

11. Trade and other payables

	Italo SICAV p.l.c. Combined Statement 31/12/2021 €	Sentinel Fund 31/12/2021 €	Sentinel II Fund 31/12/2021 €	Sentinel III Fund 31/12/2021 €	Sentinel IV Fund 31/12/2021
Audit fees	32,532	3,854	12,673	8,924	7,081
Tax compliance fees	1,623	227	746	270	380
Other	801,271	88,273	509,921	21,277	181,800
	835,426	92,354	523,340	30,471	189,261

	Italo SICAV p.l.c. Combined Statement 31/12/2020 €	Sentinel Fund 31/12/2020 €	Sentinel II Fund 31/12/2020 €	Sentinel III Fund 31/12/2020 €	Sentinel IV Fund 31/12/2020
Audit fees	32,617	3,865	12,708	8,964	7,080
Tax compliance fees	1,105	113	382	426	184
Other	103,374	14,217	53,273	20,963	14,921
	137,096	18,195	66,363	30,353	22,185

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Notes to the Financial Statements

for the year ended 31 December 2021

12. Cash and cash equivalents

For the purpose of the statements of cash flows, the year-end cash and cash equivalents were as follows:

	Sentinel Fund 31/12/2021		Sentinel II Fund 31/12/2021		Sentinel III Fund 31/12/2021		Sentinel IV Fund 31/12/2021	
	Bank balance	% of net assets	Bank balance	% of net assets	Bank balance	% of net assets	Bank balance	% of net assets
	€	%	€	%	€	%	€	%
Zarattini International Limited	1,297,447	24.41%	1,378,232	10.49%	1,572,188	12.23%	122,862	1.33%

	Sentinel Fund 31/12/2020		Sentinel II Fund 31/12/2020		Sentinel III Fund 31/12/2020		Sentinel IV Fund 31/12/2020	
	Bank balance	% of net assets	Bank balance	% of net assets	Bank balance	% of net assets	Bank balance	% of net assets
	€	%	€	%	€	%	€	%
Zarattini International Limited	337,477	4.91%	1,510,869	6.75%	1,095,585	6.65%	90,618	0.79%

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13. Other operating expenses

Other operating expenses during the financial year ending 31 December 2021 relate to:

	Italo SICAV p.l.c.				
	Combined Statement	Sentinel Fund	Sentinel II Fund	Sentinel III Fund	Sentinel IV Fund
	€	€	€	€	€
Audit fee expense	36,202	4,303	14,075	10,507	7,317
Legal and professional fees	53,981	6,174	20,281	15,641	11,885
Compliance officer fee	11,345	1,361	4,455	3,267	2,262
Secretarial fee	14,605	1,866	6,121	4,579	2,039
Bank charges	39,914	3,211	13,538	21,823	1,342
VAT expense	127,745	13,163	111,519	2,758	305
Other expenses	1,216,998	220,885	940,623	35,664	19,826
	1,500,790	250,963	1,110,612	94,239	44,976

Other operating expenses during the financial year ending 31 December 2020 relate to:

	Italo SICAV p.l.c.				
	Combined Statement	Sentinel Fund	Sentinel II Fund	Sentinel III Fund	Sentinel IV Fund
	€	€	€	€	€
Audit fee expense	32,757	3,861	12,702	8,956	7,238
Legal and professional fees	124,899	8,863	78,036	28,283	9,717
Compliance officer fee	10,028	1,193	4,011	2,815	2,009
Secretarial fee	10,669	1,563	2,834	3,860	2,412
Bank charges	52,186	4,536	20,701	24,188	2,761
VAT expense	60,668	13,806	44,621	1,230	1,011
Other expenses	115,420	16,079	26,724	30,211	42,406
	406,627	49,901	189,629	99,543	67,554

14. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Transactions with related parties during the period were as follows:

Mr. Roberto Fior and Mr. Angelo Frascino, directors of the Company during the year under review, were involved in the Founder Shareholders of the Company. Mr. Roberto Fior is a director of the depositary.

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for the year ended 31 December 2021

14. Related Parties (continued)

Banca Zarattini & Co. SA. is both a Founder Shareholder, holding 500 founder shares (50%), as well as the Company's banker and may be appointed as investment advisors in relation to one or more sub-funds. It is also an affiliate of the Company's depository. Additionally, Credit Network & Finance S.R.L. (into which CNF Finanziaria SpA merged) is also a Founder Shareholder, holding 500 founder shares (50%), which may, in respect of one or more sub-funds be engaged as investment advisor and master servicer. These Founder Shareholders, or any of them, may invest in one or more sub-funds alone or alongside other investors. In addition, the Founder Shareholders, or any of them, may be permitted to subscribe for Investor Shares in specie through the transfer of assets in favour of a sub-fund during the year under review, the Company entered into transactions with related parties.

Details of investments in the Company by the founder shareholders are set out below:

	Sentinel I	Sentinel II	Sentinel III	Sentinel IV
2021	100.00%	81.71%	68.54%	83.46%
2020	100.00%	81.71%	68.54%	83.46%

The nature, volume of transactions and the balances are set out in the statement of financial position, statement of comprehensive income and notes 8, 10, 11, and 15.

The table below shows fees charged by Credit Network & Finance S.R.L. during the years ended 31 December 2021 and 2020. These fees comprise success fees which are included within 'Net change in financial assets at fair value through profit and loss' and financial agent fees and out-of-pocket expenses that are included within 'Other operating expenses' in the Statement of Comprehensive Income.

	Sentinel I	Sentinel II	Sentinel III
2021	323,847	1,385,137	484,517
2020	249,626	804,233	334,703

The table below shows fees charged by Banca Zarattini & Co. SA during the years ended 31 December 2021 and 2020. These fees represent success fees and are included within 'Net change in financial assets at fair value through profit and loss' in the Statement of Comprehensive Income.

	Sentinel I	Sentinel II	Sentinel III
2021	23,810	117,192	138,728
2020	25,474	97,000	98,430

15. Financial risk management

15.1 Financial risk factors

The Company is exposed to a number of risks due to the nature of its activities. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The objective in managing these risks is the protection and enhancement of shareholder value.

The Company is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of securities held by the custodian, in the event of its failure, the ability of the Company to transfer securities might be temporarily impaired.

The Company's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Company is exposed and seeks to minimise potential adverse effects on its financial performance.

All security investments present a risk of loss of capital. The maximum loss of capital on purchased equity and debt securities is limited to the fair value of those positions. The Company and its sub-funds do not hold and short positions or derivative instruments.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the sub-funds are discussed below.

15.1.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and credit spreads will affect the Company's income or fair value of its holdings of financial instruments. The Company's activities expose it primarily to equity prices, interest rates and foreign currency exchange rates.

(i) Price risk

The Sub Funds are exposed to price risk which arises from investments held by the Sub Funds for which prices in the future are uncertain. The Funds' investments in NPLs are susceptible to market risk arising from uncertainties concerning the future achievable selling prices of such NPLs. This risk is managed through established investment limits in any single NPL as well as through the Sub Funds' diversified NPL portfolio.

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for the year ended 31 December 2021

15. Financial risk management (continued)

15.1.1 Market risk (continued)

(i) Price risk (continued)

The Sub Funds' exposures to price risk as at 31 December 2021 is analysed as follows:

As at 31 December 2021	Sentinel I Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
Financial assets at fair value through profit and loss	3,474,100	12,299,771	11,344,383	9,371,000

The Sub Funds' exposures to price risk as at 31 December 2020 is analysed as follows:

As at 31 December 2020	Sentinel I Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
Financial assets at fair value through profit and loss	5,265,599	25,230,019	16,247,408	11,375,194

A sensitivity analysis is disclosed in note 15.3.

(ii) Currency risk

The Sub Funds are not exposed to any significant foreign currency risk. All cash and receivables balances and the underlying NPLs' cashflows are denominated in Euro, which is the functional and presentational currency of the Company and its Sub Funds (note 2).

(iii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Sub Funds are exposed to cash flow interest rate risk on cash and cash equivalents. Investments in NPLs do not expose the Sub Funds directly to interest rate risk.

15.1.2 Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, and other receivables.

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Notes to the Financial Statements

for the year ended 31 December 2021

15. Financial risk management (continued)

15.1 Financial risk factors (continued)

15.1.2 Credit risk (continued)

The Sub Funds' exposures to credit risk as at 31 December 2021 is analysed as follows:

As at 31 December 2021	Sentinel I Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
Financial assets at fair value through profit and loss	3,474,100	12,299,771	11,344,383	9,371,000
Trade and other receivables	679,841	121,316	24,483	56,833
Cash and cash equivalents	1,297,447	1,378,232	1,572,188	122,862
Total	5,451,388	13,799,319	12,941,054	9,550,695

The Sub Funds' exposures to credit risk as at 31 December 2020 is analysed as follows:

As at 31 December 2020	Sentinel I Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
Financial assets at fair value through profit and loss	5,265,599	25,230,019	16,247,408	11,375,194
Trade and other receivables	1,515,077	36,272	3,574	3,446
Cash and cash equivalents	337,477	1,510,869	1,095,585	90,618
Total	7,118,153	26,777,160	17,346,567	11,469,258

Credit risk is taken into account when determining the fair value of the loan portfolios through the use of certain assumptions and inputs.

All cash and cash equivalents are held with the Company's depository which is unrated. The Company measures credit risk and expected losses using probability of default, exposure at default, and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. As at 31 December 2021 and 2020, all other receivables and cash and cash equivalents are held with reputable counterparties. Management considers the probability of default to be close to zero as the counterparties have strong capacity to meet the contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would wholly be insignificant to the Company.

15. Financial risk management (continued)

15.1 Financial risk factors (continued)

15.1.3 Liquidity risk

Liquidity risk is the risk that the Sub Funds may not be able to generate sufficient cash, resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The sub-funds are not currently exposed to a significant liquidity risk as liquid assets in the form of cash and cash equivalents are available to meet short-term obligations. Further, the Investor Shares of the sub-funds are not redeemable until the end of the limited life of the sub-funds. The offering documents of the sub-funds provide available options to meet any other liquidity needs, such as limited investments to more liquid assets or through borrowing, subject to restrictions.

15.2 Other risk factors

Concentration risk

To the extent that its portfolio is concentrated in investments, loans or other assets in or from a particular country, market, industry, group of industries, sector or asset class, a sub-fund may be adversely affected by the performance of those assets, may be subject to increased price volatility and may be more susceptible to adverse economic, market, political or regulatory occurrences affecting that market, industry, group of industries, sector or asset class.

Geographic risk

Geographic risk is the risk that a sub-fund's assets may be concentrated in countries located in the same geographic region. This concentration will subject a sub-fund to risks associated with that particular region, such as a natural disaster. As at 31 December 2021 and 2020, the NPL portfolios of the sub-funds are concentrated within central and northern Italy, particularly within the consumer and private small and medium enterprises sector. These concentrations are within the documented investment strategies of the sub-funds.

15.3 Fair value estimation

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs are unobservable inputs for the asset or liability.

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Notes to the Financial Statements

for the year ended 31 December 2021

15. Financial risk management (continued)

15.3 Fair value estimation (continued)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The carrying amounts of cash and cash equivalents, due from brokers, other short-term deposits, other receivables, and accrued expenses and other liabilities reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The following table shows financial assets recognised at fair value.

Sentinel Fund	31/12/2021	31/12/2020
Assets	Level 3	Level 3
<i>Fair value through profit and loss</i>	€	€
Non-performing loans	2,391,150	3,689,977
Investment in Italo SPV S.r.l	1,082,950	1,575,622
Total	3,474,100	5,265,599
Sentinel Fund II	31/12/2021	31/12/2020
Assets	Level 3	Level 3
<i>Fair value through profit and loss</i>	€	€
Non-performing loans	4,634,992	14,254,859
Investment in Italo SPV S.r.l	7,664,779	10,975,160
Total	12,299,771	25,230,019
Sentinel Fund III	31/12/2021	31/12/2020
Assets	Level 3	Level 3
<i>Fair value through profit and loss</i>	€	€
Investment in Italo SPV S.r.l	11,344,383	16,247,408
Total	11,344,383	16,247,408

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15. Financial risk management (continued)

15.3 Fair value estimation (continued)

Sentinel Fund IV	31/12/2021	31/12/2020
Assets	Level 3	Level 3
<i>Fair value through profit and loss</i>	€	€
Investment in Italo SPV S.r.l	9,371,000	11,375,194
Total	9,371,000	11,375,194

The following table presents the changes in recurring fair value measurements categorised as Level 3:

Sentinel Fund	31/12/2021	31/12/2020
	€	€
Balance at the beginning of the year	5,265,599	6,382,650
Other cash movements*	(611,156)	(616,463)
(Decrease)/Increase in FV of investment	3,474,100	5,265,599
Balance at the end of the year	5,265,599	6,382,650
Sentinel II Fund	31/12/2021	31/12/2020
	€	€
Balance at the beginning of the year	25,230,019	30,297,759
Other cash movements*	(1,810,201)	(1,973,627)
(Decrease)/Increase in FV of investment	(11,120,047)	(3,094,113)
Balance at the end of the year	12,299,771	25,230,019
Sentinel III Fund	31/12/2021	31/12/2020
	€	€
Balance at the beginning of the year	16,247,408	19,918,358
Other cash movements*	(1,615,314)	(1,793,810)
(Decrease)/Increase in FV of investment	(3,287,711)	(1,877,140)
Balance at the end of the year	11,344,383	16,247,408
Sentinel IV Fund	31/12/2021	31/12/2020
	€	€
Balance at the beginning of the year	11,375,194	13,027,495
Other cash movements*	(35,129)	(56,980)
(Decrease)/Increase in FV of investment	(1,969,065)	(1,595,321)
Balance at the end of the year	9,371,000	11,375,194

*Other cash movements comprises conversion of financial assets at fair value through profit or loss to cash and cash equivalents through collection of amounts due (recoveries), sale of portfolios to third-parties (disposals) and cash distributions from the SPV to the sub-funds.

Notes to the Financial Statements

for the year ended 31 December 2021

15. Financial risk management (continued)

15.3 Fair value estimation (continued)

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy as at 31 December 2021 are as shown below:

Asset	Valuation technique	Loan categories	Significant unobservable input	Value/Range
Distressed debt	Modified DCF method	VRAs, CLFs, and UTOOL	Discount rate	25%
	Previous market transactions	FLFs	Forecasted Sale Price	Average sale price as a percentage of GBV
	Loan quality analysis tool	UTOOL	Forecasted non-contractual future cash flows	8%-11% of the individual portfolio notional amounts

In respect of the loans included within the UTOOL category, the loan quality analysis tool used by the Company produces a range of forecasted cash flows for valuation purposes using a statistical model. This includes an optimistic, most probable, and pessimistic scenarios. The Company uses the most probable scenario (the mid-point) within the range, which results in forecasted non-contractual cash flows being in range of 8% to 11% of the individual portfolio notional amounts.

The financial statements of ITALO SPV SRL are prepared by an independent valuer on an annual basis by Securitisation Services, a company of Gruppo Finint fully owned by Banca Finint.

Discount Rate

A change in the discount rate used on the total discount rate used will have the following impact on net profit:

**Year ended
31/12/2021**

	Sentinel Fund	Sentinel II Fund	Sentinel III Fund	Sentinel IV Fund
	€	€	€	€
18%	554,777	1,868,702	1,610,408	2,418,429
30%	(315,985)	(1,052,936)	(892,591)	(1,347,732)

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15. Financial risk management (continued)

15.3 Fair value estimation (continued)

Year ended
31/12/2020

Discount rate	Sentinel Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
18%	1,140,260	5,389,449	4,683,951	3,648,220
30%	(624,682)	(2,903,556)	(2,445,851)	(1,998,916)

Average sale price as a percentage of GBV

A change in the percentage on the Gross Book Value used for the forecasted value will have the following impact on net profit:

Year ended
31/12/2021

	Sentinel Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
+10%	33,565	188,875	230,316	147,628
-10%	(33,565)	(188,875)	(230,316)	(147,628)

Forecasted cash flows

As described on page 54, in respect of the loans included within the UTOOL category, the loan quality analysis tool used by the Company produces a range of forecasted cash flows for valuation purposes using a statistical model. The Company uses the most probable scenario (the mid-point) within the range. The table below shows the potential impact on net profit had a more pessimistic or optimistic point within the range been used:

Year ended
31/12/2021

	Sentinel Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
Optimistic (11%-13% recovery of notional amount)	758,519	2,345,779	2,039,033	2,595,478
Pessimistic (5%-8% of notional amount)	(578,015)	(1,993,122)	(1,630,730)	(2,349,009)

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15. Financial risk management (continued)

15.3 Fair value estimation (continued)

Year ended
31/12/2020

Forecasted cash flows	Sentinel Fund €	Sentinel II Fund €	Sentinel III Fund €	Sentinel IV Fund €
Optimistic (11%-13% recovery of notional amount)	1,146,056	5,786,287	3,686,540	3,737,971
Pessimistic (5%-8% of notional amount)	(892,452)	(5,066,705)	(3,045,309)	(3,397,361)

There were no transfers between level 1, level 2 and level 3 during the years ended 31 December 2021 and 2020.

16. Contingent liability

During 2020 the Company was subject to a routine AML thematic visit by the MFSA on behalf of the FIAU. At the time of signing of these financial statements the final outcome of the visit has yet to be communicated to the Company.

17. Non-cash transactions

There were no non-cash transactions during the years ended 31 December 2021 and 2020.

18. Comparative figures

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

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19. Events after the reporting period

Post year end there were two capital distributions. The first distribution was in relation to two sales, the direct portfolio sale for Sentinel II sub-fund (concluded in 2022), and the Titan II portfolio sale (concluded in 2021). The amounts distributed were as follows: €700,000 for Sentinel I, €4,000,000 for Sentinel II, and €1,000,000 for Sentinel III. Also post year end, a number of loans were earmarked for disposal from the NPL portfolios as follows: Sentinel I (320 loans), Sentinel II (about 306 loans) and Italo SPV (Dora Portfolio - 2690 loans and Venice portfolio - 1,390 loans). The disposal was completed by the end of Q1 2022. The sale generated positive cash flows that, were again used for capital reimbursement to investors. In fact, a second distribution was made in relation to the Pegasus sale. The amounts distributed were as follows: €1,080,000 for Sentinel I, €2,600,000 for Sentinel II, €3,100,000 for Sentinel III and €200,000 for Sentinel IV. Moreover, at the start of the second quarter of 2022, a repayment of the loan which Sentinel I granted Dora SPV was made, which was followed by another repayment of the loan that Sentinel I granted to Sentinel IV.

In the 1Q22 operators continued to face rising volatility and uncertainty due to the economic stress relating the COVID-19, which effects were still felt by the society and more so due to the geo-political landscapes, specifically the unexpected war scenario in the middle of Europe which is leading to a high inflation environment. This may lead to macroeconomic shock that could create room for a new wave of UTPs and NPLs.

Securizations are still registering an average underperformance in 1Q22, which stresses the impact that the existing slow recovery combined with the continuously developing macro-economic scenarios in 2022 mainly triggered by the war in Ukraine, are having on the economy in general.

Subsequent to year end, the investors were notified of the Directors' intention to extend the life of Sentinel II and Sentinel III sub-funds.