

RISK MANAGEMENT POLICY

FOR

NUOM STRESSED ASSETS OPPORTUNITIES FUND

(Alternative Investment Fund – CAT II)

BY

NUOM SERVICES LLP

INVESTMENT MANAGER TO THE FUND

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1. INTRODUCTION

- 1.1 NuOm Stressed Assets Opportunities Fund (“**Fund**”) is the first scheme of NuOm Alternative Investment Trust (“**Trust**”), which is registered with SEBI as a Category II AIF vide registration number IN/AIF2/23-24/1449 and is organized as a Trust registered under the provisions of the Indian Trusts Act, 1882. The Fund is sponsored as well as managed by M/s NuOm Services LLP (“**Investment Manager**” or “**Sponsor**” or “**LLP**”).
- 1.2 The Fund is a close-ended fund and the term of the Fund will be a period of 10 (Ten) years from the date of the Closing (“**Term**”), which may be extended for a period of 2 (two) years subject to approval of two-thirds of the unit holders by value of their investment (i.e. two-thirds of the Contributors by value) in accordance with the AIF Regulations.
- 1.3 The object and purpose of the Scheme is to raise resources from the contributors to make investment in equity shares and debt securities issued by Portfolio Companies which are primarily engaged in the business of:
- i. purchasing and selling real estate properties, plant & machinery, security receipts and distressed assets, primarily through the Insolvency & Bankruptcy Code, 2016 and SARFAESI route or through market.
 - ii. Investing in distressed Companies or firms participating in Resolution of distressed companies either through Insolvency & Bankruptcy Code, 2016 or through SARFAESI route or through normal process as may be permitted by the applicable laws.
 - iii. Buying stakes in distressed companies/firms undergoing distress or in companies/ firms which were under distress earlier but are not currently in distress.
 - iv. Participating in the CIRP/Liquidation process through IBC 2016.

The Fund may also directly invest in Portfolio Companies which are distressed companies/firms undergoing distress or in companies/ firms which were under distress earlier but are not currently in distress.

The Fund may also invest in security receipts issued by a Securitization Trust.

In order to provide higher return to its investors, the Fund may also invest in securities issued by Portfolio Companies which are not falling under the categories mentioned above, as per the discretion of the Investment Manager, including start-ups, ESG entities, etc. as permitted under the AIF Regulations.

Without prejudice to the foregoing, the object and the purpose of the Scheme includes the following:

- a. to carry on the activities of the Scheme primarily in the form of a Category II Alternative Investment Fund in accordance with the provisions of this Trust Deed and the AIF Regulations;
- b. to raise capital from the Contributors / new investors under Scheme for the purpose of making Investments in accordance with the provisions contained in Trust Deed and this Private Placement Memorandum;
- c. to invest in equity shares or debt securities issued by any Portfolio Company; and

d. to do all other things necessary and conducive to the attainment of the objects of the Scheme.

1.4 In this Risk Management Policy (“**Policy**”), words and expressions shall, unless expressly defined herein, have the meaning ascribed to them in the Fund Documents. It is clarified that references to the Investment Manager under this Policy relate exclusively to the performance of the Investment Manager’s obligations under the Fund Documents.

2. **PURPOSE**

2.1 The purpose of this Policy is for the Trust and Investment Manager to identify, analyze and mitigate the risks emanating from the business of the Fund. This policy shall be approved for the Fund jointly by the Investment Manager and the Trustee. This policy shall be reviewed annually.

2.2 The Investment Manager places utmost importance on the sound management of risk. Good risk management underpins a successful organization and forms an integral part of the management processes and culture.

2.3 The Investment Manager recognize that risk is an integral part of the investment and asset management process and proactive identification, assessment, measurement and effective risk management is critical to the success of the Fund.

2.4 Through this Policy, the Investment Manager shall endeavor to put in place a process to identify, assess, measure and then manage risks that could impact the Fund’s investments, likelihood of re-occurrence of risks, and then suggest appropriate actions to address the most likely and high impact risks.

2.5 This Policy provides Fund level risk guidelines encompassing key risk areas such as investment risk, portfolio risk, and compliance risk. It also involves monitoring the risks to which each investment being made by the Fund is subject to, and continuously monitoring such risk.

3. **POLICY OBJECTIVE**

The objective of this policy is three-fold:

3.1 To ensure that the Investment Manager identify the risks impacting the Fund and document their process of risk identification, assessment, reporting and monitoring of risk. Risk minimization and risk optimization are integral part of the risk management policy or strategy;

3.2 To identify the risk associated with each investment made by the Fund and to track these risks through a risk matrix to be maintained by the Investment Manager; and

3.3 To facilitate Investment Manager to implement effective controls and frameworks to ensure risks are managed effectively and in compliance with governance and regulatory requirements.

4. EFFECTIVE DATE

This Policy shall be effective from the 15th July, 2024

5. RISK IMPACTING THE FUND

As the Fund will be investing in various sectors in the market, it may be faced with several different types of risks. The potential risks impacting the Fund have been inserted into the Private Placement Memorandum of the Fund, under “**Section X – Risk Factors**”.

6. RISK MANAGEMENT FRAMEWORK

6.1 The goal of the **risk management framework** is to ensure that both the Fund and the Investment Manager operate within their defined risk tolerance and limits. This will be achieved through:

- **Ensuring continuity of operations:** Maintaining uninterrupted and efficient operations.
- **Protecting the Fund’s assets:** Safeguarding the assets managed by the Fund.
- **Preserving and enhancing the Fund’s reputation:** Maintaining the Fund’s positive image and credibility.
- **Ensuring reliability of reporting:** Providing accurate and dependable internal and external reports.
- **Complying with laws and regulations:** Adhering to all applicable legal and regulatory requirements.

6.1 Focus of the Risk Management Framework:

The risk management framework will centre around three key areas:

- **Risk Identification**
- **Risk Assessment**
- **Risk Reporting and Monitoring**

6.2 Risk Identification:

- Identifying risks is the first step of the process. It starts by understanding the Fund's objectives. The goal is to recognize events that could negatively or positively affect both the commercial and non-commercial goals of the Fund.
- Some identified events may have positive impacts, representing opportunities, while others with negative impacts represent risks.

6.3 Risk Assessment:

- Risks are analyzed based on their likelihood and potential impact to determine how they should be managed. This involves studying threats, the probability of them occurring, and the exposure or vulnerability to those risks.

6.4 Risk Reporting and Monitoring:

- Regular reporting is essential to track whether the likelihood or impact of risks is changing and to ensure resources are aligned with priorities. Key risk reports and mitigation efforts help to:
 - (a) Enhance decision-making quality and timeliness.
 - (b) Set action priorities for improvement.
 - (c) Provide the Board with assurance that major risks are being effectively identified and managed within acceptable levels.
- The table below summarizes reporting of risk areas, likelihood, consequence, risk rating (as per Risk Matrix) and the mitigating actions proposed by the Investment Manager

Risk category*	Likelihood	Consequence	Risk rating	Risk mitigation	Key development

*as mentioned in clause 8.2 below

- In the management of risk, the probability of risk assumption, which may threaten the Fund, is estimated with available data and information and appropriate risk treatments are worked for the indicative risks specified in section 8.
- Once an investment decision is made, the risks are to be monitored to ensure they are in line with the Investment Policy.

7 RISK MITIGATION STRATEGY

7.1 The Investment Manager shall recognize that risk is an integral and unavoidable component of business and they are committed to managing the risk. The Investment Manager believes that risks cannot be eliminated. However, it maybe:

- Reduced, by having good periodic internal controls and continuous monitoring;
- Avoided, by not investing into Funds having an investment strategy which are not in line with Investment Policy;
- Mitigated, by adhering to the investment policy of the Fund enshrined in the Memorandum;
- Retained, to avoid higher cost of trying to reduce risk, and;
- Shared, by following a middle path between retaining, monitoring andmitigating risk.

8 KEY RISKS

8.1 The risk management process starts with the systematic identification of key risks.

8.2 The key risks which might affect the achievement of objectives of the Fund have been presented below:

Sr No	Risk Category	Risk description	Assessment
1	<u>Commitment risk</u>	The Fund may not be able to commit the entire corpus budgeted for commitments during a financial year	To be assessed basis past track record of commitments and prospective Fund commitment pipeline
2	<u>Deployment risk</u>	The Fund may not be able to invest the entire corpus budgeted for investments during a financial year	To be assessed basis drawdown projections provided by Fund for the financial year and actual drawdowns
3	<u>Portfolio risk</u>	The fund may not have complied with conditions specified in the Investment Policy	To be assessed basis compliance with Investment Policy
4	<u>Reinvestment risk</u>	The Fund may not have re-invested the entire corpus distributed by the Fund(s)	To be assessed basis past track record of commitments, pipeline and drawdown projections provided by the Fund, guidance received from the Investment Committee, Approved SOP's and any other relevant inputs
5	<u>Compliance risk</u>	The Fund may not have complied with SEBI and other applicable regulatory requirements	To be assessed by Legal Advisor basis applicable regulatory compliances

8.3 There could be other risks which may emanate because of changes in the internal or external environment within which the Fund plans to operate. These risks are to be identified by the Investment Manager and Legal Advisor, as relevant, during the normal course of business.

9 RISK MITIGATION/ RISK CONTROL MEASURES CURRENTLY ADOPTED BY THE FUND:

9.1 The Implementation and review of this policy shall be the responsibility of the Investment Manager;

9.2 The Investment Manager has been adopting various control measures to mitigate the risks arising in the operations of the Fund. Few of them are listed below:

- A comprehensive Investment Policy for the Fund has been adopted;
- A comprehensive investment process for making investments in Funds has been approved;
- A detailed Standard Operating Procedure (SOP) template has been prepared and approved based on which various parties perform their roles and responsibilities in relation to the Fund
- Maximum exposure in each Fund has been capped;
- All expenses should be as per the Fund Documents;
- All the approvals as per delegation should be periodically reported to the next

higher authority/ Fund;

- The Investment Manager is required to take approval of the Board for proposals involving conflict of interest;