



Providence Investment Funds
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Dear Investor

We refer to our previous correspondence earlier this month regarding your investment in Providence Investment Funds PCC Limited (the “Fund”), and as promised would like to update you further.

As you are aware, the monies invested into the Fund have been lent to Providence’s factoring company, Providence Fomento Mercantil, Investimento e Participações Ltda. (“Providence Fomento”), and have been properly recorded as a loan liability in the books of that company.

Providence Fomento has historically operated a fully invested business model whereby all monies lent to it by the Fund are deployed into the factoring market in Brazil. In order to generate the returns that we offer to you and our other investors, it is vital that such capital continues to be deployed on a revolving longer-term basis. The Fund and its manager, Providence Investment Management International Limited, monitor the level of assets held within Providence Fomento on a regular basis to satisfy ourselves that the factoring company is able to repay its loan obligations to the Fund, which in turn is then able to pay dividends and capital back to investors at the time that such obligations fall due. At present, the invested funds are currently deployed in factoring assets and working hard to generate returns for the Fund’s investors rather than being held in cash.

Providence Fomento maintains a bank account outside of Brazil and manages its cashflows to balance operational efficiency, debt servicing and efficient mitigation of taxation that falls due each time monies are transferred into and out of Brazil. As a consequence of this, and in a similar approach to that taken by many other investment fund managers of relatively illiquid asset portfolios, the Fund has in the past efficiently matched known incoming and outgoing cash movements for operational efficiency purposes.

Unfortunately, the recent condition imposed on the Fund, which prevents it from accepting new subscriptions, has put an inevitable pressure on this part of Providence’s business model and resulted in the current liquidity challenges which the Fund has faced. Since then, the Fund and its manager have been trying, in conjunction with Providence Fomento and other parts of the Providence Group, to overcome this liquidity issue in the best and quickest way possible for the benefit of the Fund’s investors.

We had previously anticipated being able to settle all delayed dividends and redemptions by the end of this month, but it has not proved possible to release sufficient cash flow from Providence

Fomento in such a short timescale. This is due to the longer-term nature of the underlying factoring contracts in Brazil into which the Fund's investments continue to be deployed and which continue to perform as always planned to generate yield and value for the Fund's investors.

With this in mind, we have advised the Guernsey Financial Services Commission (the "Commission") that we have taken the very difficult decision to suspend the Fund. This decision has been made in order to best protect investors' interests and to enable the Fund to return to normal operation as quickly as possible.

We will continue to work tirelessly with our colleagues at Providence Fomento to release the necessary liquidity to the Fund to enable all of the delayed payments to be settled as soon as is possible and, of course, we also continue to work closely with the Commission to address its questions and keep it informed of all developments.

Some of the Fund's investors have asked us whether it is possible to redeem their investments in the Fund early, however for the reasons outlined above, we regret that this is not something which we are able to consider at this time.

We continue to do all we can to return to normal business activities as soon as possible and, once again, thank you for your ongoing patience whilst we seek to resolve this matter.

We will write to you again on 12 August to provide you with a further update, or sooner should the above situation change in any way.

Yours faithfully

The Board of Directors of
Providence Investment Funds PCC Limited