



Annual Audited Financial Statements for the year ended 31 December 2022

Muzinich Firstlight
Middle Market ELTIF
SICAV, S.A.
*(Société d'investissement à
capital variable)*

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Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

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Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

General Information

The following information is derived from and should be read in conjunction with the full text and definitions section of the Prospectus.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A., (the “Fund”) is a Luxembourg investment company with variable capital (*société d’investissement à capital variable* - “SICAV”) incorporated on 20 February 2019 and authorized under Part II of the 2010 Law, under the form of a public limited company (*société anonyme* - “S.A.”) and subject to the provisions of the Regulation (EU) 2015/760 on European Long Term Investment Funds (the “ELTIF Regulation”). The Fund is registered under number B 232.256 with the Luxembourg *Registre de Commerce et des Sociétés*. The registered office of the Fund is 12E, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg. The Fund qualifies as an alternative investment fund within the meaning of Article 1 of the Luxembourg law of 12 July 2013 on Alternative Investment Fund Managers (the “2013 Law”).

The Fund is incorporated for a period of six years following its final subscription date, subject to a possible extension of one year or early termination. On 24 January 2020, the Board of Directors resolved to extend the Fund’s notional term by one year. Accordingly, the Fund’s legal term has been extended to 29 November 2026. The initial capital of the Fund is €30,000, represented by 300 fully paid up Shares.

Muzinich & Co. (Ireland) Limited (the “AIFM”, the “Manager”), an Irish limited company, is the Fund’s alternative investment fund manager in accordance with the provisions of the European Union (Alternative Investment Fund Managers) Regulation 2013, and is duly authorized and regulated by the Central Bank of Ireland in this respect.

The AIFM delegated the portfolio management relating to the Fund to Muzinich & Co. Limited, an English limited company.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Investment Manager's Report for the year ended 31 December 2022

Market Review

Global financial markets endured a high degree of volatility throughout 2022 as the start of the war in Ukraine accelerated inflationary pressures that were already building in the world economy, which pushed central banks to embark on aggressive interest rate hiking cycles. At various points in the year, investors positioned themselves for a dovish pivot by their monetary authorities, only to have their hopes dashed by worsening inflation data or hawkish central bank rhetoric. Market participants became concerned that, in a bid to tame inflation, central banks would pursue interest rate policies that could cause or worsen a recession.

The European syndicated loan and high yield bond markets followed these gyrations during 2022, generating negative returns for the full year. While rising interest rates were bad news for fixed rate credit, floating rate credit products, such as European syndicated loans, paid investors higher all-in coupons. In Europe, 3-month Euribor, which was negative before the summer, rose to 2.13% by 30th December 2022, generating additional interest rate returns for the loan market and partially cushioning against the negative effects of falling prices. Despite the partial price recovery in the European leveraged finance markets towards the end of 2022, our view remains that investors have the opportunity of an attractive entry point into credit markets; company reporting remains relatively resilient and prices in the secondary market continue to imply a possibly higher default rate than has historically been the case.

The Credit Suisse Western European Loans Index declined by 3.28% in euro terms in 2022, even after a recovery in Q4. By comparison, the European high yield market (which was negatively affected by rising interest rates), fell 11.4% in 2022 (as represented by the ICE BofA ML BB-B European Currency Non-Financial High Yield Constrained Index - HP4N) even after rallying 5.07% in Q4 as overall market sentiment improved.¹

Fund Update

In line with the challenging investment environment for European syndicated loans and high yield bonds in 2022, the Muzinich Firstlight Middle Market Fund ELTIF SICAV, S.A. was impacted by market weakness and generated a negative return for the period. This drawdown was amplified by the effect of leverage. At the close of the reporting period, the weighted average bid price of the portfolio stood at 88.6.

Primary loan market volumes declined markedly in 2022 compared to the prior year² as wider market volatility negatively impacted arrangers' confidence that large debt deals could be successfully syndicated. New issue commitments by the fund were therefore more limited than in prior years, and so more focus was placed on secondary market trades. The fund's cash balance was bolstered by full repayments at par of a number of positions during the year, which also allowed for a reduction in the drawings under the permitted leverage facility by €15 million in November 2022. The portfolio's positioning with respect to industry sectors remained broadly stable during the reporting period. At the end of 2022, healthcare remained the largest sector, with food/beverage as the second largest sector exposure.

The Fund continued to maintain geographic diversity with a relatively low exposure to corporates in Southern Europe (approximately 5% of the invested portfolio as at the end of 2022). The portfolio's weighted average credit rating of single-B reflects the rating profile of the overall European syndicated loan market. The weighted average life of the assets in the portfolio was approximately 4.1 years as at the end of December. The earliest contractual maturity within the portfolio is one loan tranche due for repayment in 2023, which represented approximately 1.0% of the invested portfolio as of 31st December 2022. The Fund experienced no defaults during the reporting period.

¹CSWELLI and ICE Index platform as of 31st December 2022.

²Pitchbook LCD European Playbook 3rd January 2023

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Investment Manager's Report for the year ended 31 December 2022 cont/d...

Outlook

Looking forward, while the visible primary market pipeline for European syndicated loans and high yield bonds remains limited for early 2023, we do expect that borrowers will attempt to opportunistically refinance debt with near-term maturities or tap their existing debt facilities to improve liquidity if they can do so. However, we do not expect a slew of financings for new merger and acquisition activity given the lack of bank underwriting of such transactions in recent months. The proportion of constituents of the loan and bond indices¹ with maturities in 2023 and 2024 remains low which limits the overall impact on market returns should some of those borrowers be unable to refinance. However, the proportion with a 2025 maturity date is materially higher, therefore we believe that more borrowers will start to engage with their lenders or bondholders to address those upcoming debt maturities through Amend & Extend or exchange processes. We expect higher leveraged, lower-rated credits to lag any market rally given the more severe impact of an increasingly challenging economic environment and rising interest cost burden on those types of borrowers, and for rating agency downgrades to increase for this segment of the leveraged finance markets. Whilst ratings downgrades may presage an increased incidence of defaults in 2023, it is also the case that further hikes by central banks of their policy rates will increase the carry earned on floating rate credit products. For syndicated loans, this contractual carry (base rate curve + margin) now represents more than half of the 3 year yield for the CSWELLI of approximately 10% in local currency as at 31 December 2022 (with the remainder related to the improvement in the sub-par average cash price of the index) which can provide a cushion to syndicated loan returns from any credit losses or periods of price volatility that may occur during 2023.

This material is not intended to be relied upon as a forecast, research, or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. The opinions expressed by Muzinich & Co are as of January 2023 and may change without notice.

Significant Events during the Financial Year

The Fund did not and does not have any direct exposure to Ukraine, Russia or Belarus. The Investment Manager continues to carefully monitor the evolving conditions for all indirect and unrelated exposures globally. The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may continue to impact on the Global Economy.

Events since the Financial Year End

There have been no significant events since the financial year end that require amendment to or disclose in the financial statements.

All references are from Bloomberg as of 31st December 2022 unless otherwise stated.

Muzinich & Co. Limited
Investment Manager
March 2023

To the Shareholders of
Muzinich Firstlight Middle Market ELTIF SICAV, S.A.
12E, rue Guillaume Kroll
L - 1882 Luxembourg

REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ*

Opinion

We have audited the financial statements of Muzinich Firstlight Middle Market ELTIF SICAV, S.A. (the “Fund”), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in net asset and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “*Commission de Surveillance du Secteur Financier*” (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the *“réviseur d’entreprises agréé”* for the Audit of the Financial Statements” section of our report. We are also independent of the Fund 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) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of the *“réviseur d’entreprises agréé”* thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund for the Financial Statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors of the Fund determines 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 Board of Directors of the Fund is responsible for assessing the Fund'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 Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d'entreprises agréé” for the Audit of the Financial Statements

The objectives of our audit 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 a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" 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 report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 those charged with governance 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.

For Deloitte Audit, *Cabinet de révision agréé*

Philippe Lenges, *Réviseur d'entreprises agréé*

Partner

30 March 2023

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Statement of Comprehensive Income for the year ended 31 December 2022

	Note(s)	For the year ended 31 December 2022 €	For the year ended 31 December 2021 €
Income			
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	4, 8	(52,177,587)	4,174,262
Interest income		20,997,319	18,785,983
Other income		97,281	-
		(31,082,987)	22,960,245
Expense			
Management fees	10	(4,477,599)	(4,881,026)
Administrative fee	10	(484,458)	(527,899)
Director fees		(31,582)	(28,644)
Depositary fees	9	(73,638)	(80,241)
Administrator fees	9	(93,501)	(171,237)
Audit fees		(34,170)	(31,518)
Professional and legal fees		(175,975)	(170,874)
Subscription tax	13	(146,995)	(173,195)
Organisational expenses		(168,220)	(337,368)
VAT fees		(18,531)	-
Expense cap reimbursement	10	60,412	107,058
		(5,644,257)	(6,294,944)
Operating profit/(loss)		(36,727,243)	16,665,301
Finance Costs			
Interest expense		(12,217)	(17,620)
Distributions	11	(13,277,778)	(12,638,561)
		(13,289,995)	(12,656,181)
Profit/(loss) before tax		(50,017,239)	4,009,120
Net movement in net assets attributable to Shareholders resulting from operations		(50,017,239)	4,009,120

All activities arose from continuing operations. There are no gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes form an integral part of these financial statements.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Statement of Changes in Net Assets for the year ended 31 December 2022

	Note(s)	For the year ended 31 December 2022 €	For the year ended 31 December 2021 €
Net assets attributable to Shareholders at the beginning of the financial year		352,421,887	348,412,767
Movement due to the sale and repurchase of Shares			
Issuance of Shares	7	-	-
Redemption of Shares	7	(4,864,038)	-
Net increase resulting from Share transactions		(4,864,038)	-
Net movement in net assets attributable to Shareholders resulting from operations		(50,017,239)	4,009,120
Net assets attributable to Shareholders at the end of the financial year		297,540,610	352,421,887

The accompanying notes form an integral part of these financial statements.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Statement of Financial Position as at 31 December 2022

	Note(s)	31 December 2022 €	31 December 2021 €
Assets			
Financial assets at fair value through profit or loss:			
- Investment in the Subsidiary	3,4	292,663,624	349,705,268
Cash at bank		1,001,478	771,060
Other receivables	5	6,087,203	4,301,558
Total Assets		299,752,305	354,777,886
Liabilities			
Financial liabilities at amortised cost:			
Other payables	6	(2,211,695)	(2,355,999)
Total Liabilities (excluding net assets attributable to redeemable participating Shareholders)		(2,211,695)	(2,355,999)
Net assets attributable to redeemable participating Shareholders		297,540,610	352,421,887

The accompanying notes form an integral part of these financial statements.

On Behalf of the Directors:



Date: 30 March 2023



Date: 30 March 2023

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Statement of Cash Flows for the year ended 31 December 2022

	For the year ended 31 December 2022 €	For the year ended 31 December 2021 €
Cash flows from operating activities		
Net movement in net assets attributable to Shareholders before distributions	(36,739,461)	16,647,681
Adjustments for:		
Movement in financial assets at fair value through profit or loss	57,041,644	(6,940,348)
Operating cash flows before movements in working capital	57,041,644	(6,940,348)
Movement in receivables	(1,785,645)	3,402,720
Movement in payables	(144,304)	233,533
Cash (outflow)/inflow from operations	55,111,695	(3,304,095)
Net cash provided by/(used in) operating activities	18,372,234	13,343,586
Financing activities		
Proceeds from subscriptions	-	-
Payment of redemptions	(4,864,038)	-
Distributions paid to shareholders	(13,277,778)	(12,638,561)
Net cash (used in)/provided by financing activities	(18,141,816)	(12,638,561)
Net increase/(decrease) in cash and cash equivalents	230,418	705,025
Cash and cash equivalents at the beginning of the financial year	771,060	66,035
Cash and cash equivalents at the end of the financial year	1,001,478	771,060
Supplementary information		
Interest received	20,997,319	18,785,983
Interest paid	(12,217)	(17,620)

The accompanying notes form an integral part of these financial statements.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Statistical information as at 31 December 2022

	31 December 2022	31 December 2021
Net Asset Value	€297,540,610	€352,421,887
Net Asset Value attributed to each Share Class		
- H	€12,782,742	€14,903,587
- A	€3,458,786	€4,032,028
- R	€69,479,611	€81,105,552
- P	€211,819,471	€252,380,720
Number of Shares in issue		
- H	148,278	148,278
- A	40,000	40,000
- R	810,423	811,455
- P	2,470,187	2,524,573
Total Shares	3,468,888	3,524,306
Net Asset Value per Share		
- H	€86.21	€100.51
- A	€86.47	€100.80
- R	€85.73	€99.95
- P	€85.75	€99.97

Notes to the financial statements for the year ended 31 December 2022

1. Significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below.

i) Basis of preparation and statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") as adopted by the European Union ("EU"). These financial statements relate solely to the Fund as an individual entity. The financial statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities held at fair value through profit or loss that have been measured at fair value.

The financial statements are presented in Euro ("EUR"), which is the functional currency of the Fund. The Board of Directors of the Fund considers EUR to be the currency that represents the economic effect of the underlying transactions, events and conditions. The Fund's primary investing activities are denominated in EUR. All values are rounded to the nearest Euro, except where otherwise indicated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. Actual results may differ from these estimates.

A fundamental principle of the preparation of financial statements is the assumption that an entity will continue in existence as a going concern, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business. The Board of Directors believes that the going concern basis of preparation of the financial statements is appropriate.

ii) Basis of consolidation

The Fund is an investment entity, therefore, it holds its investments in the Subsidiary at fair value rather than consolidating its wholly-owned Subsidiary. Investment in Subsidiary is classified as fair value through profit or loss in accordance with IFRS 9.

iii) Financial instruments

Classification

In accordance with IFRS 9, the Fund 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:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, or
- (b) 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
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets

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

- (a) The Fund's business model for managing the financial assets
- (b) The contractual cash flow characteristics of the financial asset

Notes to the financial statements for the year ended 31 December 2022 cont/d...

1. Significant accounting policies cont/d...

iii) Financial instruments cont/d...

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 Fund includes in this category short-term non-financing receivables as well as cash at bank.

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.

The Fund includes in this category:

- (a) Investment in the Subsidiary: In accordance with the exception under IFRS 10, the Fund does not consolidate its Subsidiary 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 Fund's investment activities. The Fund measures its unconsolidated Subsidiary (including loan to the Subsidiary) at FVPL.
- (b) Instruments held for trading. This category includes derivative contracts in an asset position. These instruments are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in prices.

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 Fund includes in this category:

- (a) Instruments held for trading. This category includes derivative contracts in a liability position. These instruments are acquired or incurred principally for the purpose of generating profit from short-term fluctuations in prices.

Financial liabilities measured at amortised cost

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

Notes to the financial statements for the year ended 31 December 2022 cont/d...

1. Significant accounting policies cont/d...

iii) Financial instruments cont/d...

Recognition

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

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

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.

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 gains or net losses 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 income or expense and dividend income or expense in the Statement of Comprehensive Income.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 4.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset, or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

1. Significant accounting policies cont/d...

iii) Financial instruments cont/d...

Impairment

The Fund holds only accrued income and other short-term 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 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.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults.

iv) Fair value measurements

The Fund measures its investment in Subsidiary, as well as its investments in financial instruments, such as derivatives, at fair value at each reporting date.

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 Fund. 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.

Assets listed or traded on a recognized exchange for which market quotations are readily available will be valued at the latest mid-market price. Where a security is listed or dealt in on more than one recognized exchange, the relevant exchange or market will be the principal or main stock exchange or market on which the security is listed or dealt on or the exchange or market which the AIFM determines provides the fairest criteria in determining a value for the relevant investment.

The Fund's illiquid assets will be valued at fair value in accordance with the International Private Equity and Venture Capital Guidelines Edition December 2022 (as may be amended or reissued from time to time).

The AIFM is responsible for the valuation of the assets of the Fund. When valuing the assets of the Fund, the AIFM may be assisted by a service provider.

For assets and liabilities that are measured at fair value on a recurring basis, the Fund identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

1. Significant accounting policies cont/d...

v) Forward foreign currency exchange contracts

The value of open forward foreign currency exchange contracts is calculated as the difference between the contracted rate and the current forward rate that would close out the contract on the reporting date. Gains or losses on open forward foreign currency exchange contracts are included in the net unrealised gain or loss on forward foreign currency exchange contracts, as appropriate, on the Statement of Financial Position. The Fund does not designate any derivatives as hedges for hedge accounting purposes. During the year ended 31 December 2022 and the year ended 31 December 2021 the Fund via its subsidiary held some hedged forwards.

vi) Net gains or losses on financial assets and liabilities at fair value through profit or loss

Net gains or losses on financial assets and liabilities at fair value through profit or loss includes all realised and unrealised fair value changes. The Fund uses the Average Cost Method to calculate the realised gains or losses on its investments. Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of the prior year's unrealised gains and losses for financial instruments which were realised in the reporting period. Gains and losses relating to forward foreign currency exchange contracts are included in net gains or losses on financial assets and liabilities at fair value through profit or loss.

vii) Income and Expenses

Income and expenses are recognised on an accruals basis.

viii) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses arising from translation are included in Other income or Other expenses in the Statement of Comprehensive Income.

The main exchange rate as of 31 December 2022 is:

EUR / GBP: 0.887

The main exchange rate as of 31 December 2021 is:

EUR / GBP: 0.840

ix) Net assets attributable to Shareholders

The liability to Shareholders is presented in the Statement of Financial Position as "Net assets attributable to Shareholders" and is determined based on the residual assets of the Fund after deducting all other liabilities. The prices at which Shares may be issued or redeemed are calculated by reference to the Fund's Net Asset Value ("NAV") calculated in accordance with the Prospectus.

x) Distributions

The Fund expects to distribute at least 85% of Net Investment Income on a semi -annual basis (calculated as of 31 March and 30 September of each year (or, if not a business day, on the next following business day) (each, a "distribution date")). "Net Investment Income" includes all interest or fee income received in cash in respect of the underlying investments, other than to the extent such income is applied in respect of any Management Fees or other expenses of the Fund, and appropriate reserves. Distributions will be paid as soon as reasonably practicable after ascertaining the NAV as of the relevant distribution date. Distributions with an ex-date during the financial year are included as a finance cost in the Statement of Comprehensive Income. Please see Note 11 for details of any distributions paid during the financial year ended 31 December 2022.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

1. Significant accounting policies cont/d...

xi) New and Amended Standards and Interpretations

There is no standard and interpretation which has been issued and not effective and which is reasonably expected to have an impact on the accounting policies, financial position or performance of the Fund. The Fund has adopted all standards effective since the date of inception.

2. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at FVPL rather than consolidate them. The criteria which define an investment entity are, as follows:

- (a) An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services
- (b) An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- (c) An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Board of Directors has concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

Estimates and assumptions

Discussed below are 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. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in the tax laws on withholding tax. Differences arising between actual investment income and the assumptions made, or future changes to such assumptions could necessitate future adjustments to with respect to tax expenses. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

2. Significant Accounting Judgements, Estimates and Assumptions cont/d...

Estimates and assumptions cont/d...

Functional currency

As described in Note 1, the Fund conclude that EUR is the functional currency of the Fund. The assumptions made by the Board of Directors is based on the currency in which the performance of the Fund is evaluated and the currency used for managing its liquidity.

Fair value of financial assets and liabilities

The Board of Directors determines that in the ordinary course of business, the NAV of the Subsidiary is considered to be the most appropriate to determine fair value. At each reporting period, the Board of Directors considers whether any additional fair value adjustments need to be made to the NAV of the Subsidiary. These adjustments may be required to reflect market participants' considerations about fair value that may include, but are not limited to, liquidity and the portfolio effect of holding multiple investments within the Subsidiary.

There was no particular circumstance to indicate that a fair value adjustment was required and the Board of Directors concluded that the NAV of the Subsidiary was the most appropriate reflection of fair value as at 31 December 2022.

3. Financial assets and financial liabilities at fair value through profit or loss

Investment in the Subsidiary

The Fund meets the definition of an investment entity. Therefore, it does not consolidate its Subsidiary but, rather, recognises the Subsidiary as an investment at fair value through profit or loss.

Fund	Country of incorporation	Proportion of ownership and voting rights as at 31 December 2022	Proportion of ownership and voting rights as at 31 December 2021
Muzinich Firstlight Middle Market Luxco, S.à r.l.	Luxembourg	100%	100%

The Subsidiary in turn, holds the following investments summarized below as at 31 December 2022:

Security description	Coupon %	Maturity	Industry	Country	Nominal	Fair value as at 31 December 2022 €
Bank Loans						
ADB Safegate BVBA	6.72	05/10/2026	Capital Goods	Luxembourg	6,000,000	4,656,000
Aenova Holding GmbH	5.03	31/03/2026	Healthcare	Germany	3,550,000	3,149,880
Al Alpine AT Bidco GmbH	4.73	24/10/2025	Capital Goods	Austria	6,000,000	5,601,420
Al Plex AcquiCo GmbH	5.13	31/07/2026	Chemicals	Germany	6,000,000	4,965,000
All-Star Bidco AB	5.70	16/11/2028	Services	Sweden	1,000,000	975,205
Alpha AB Bidco BV	5.95	30/07/2025	Capital Goods	Netherlands	4,000,000	3,763,320
Amphora Finance Ltd	8.38	30/05/2025	Food/Beverage/Tobacco	United Kingdom	5,400,000	3,475,310
Andromeda Investissements	5.05	15/06/2026	Insurance	France	3,074,947	3,022,673
Antigua Bidco Ltd	5.95	10/08/2026	Healthcare	United Kingdom	5,175,000	5,004,872
Aragon Bidco GmbH	4.86	08/11/2028	Healthcare	Germany	3,500,000	3,302,250
Artemis Acquisition UK Ltd	5.56	23/06/2025	Food/Beverage/Tobacco	Hungary	6,000,000	5,450,010
Artisan Newco BV	6.79	01/02/2029	Food/Beverage/Tobacco	United States	4,000,000	3,575,000
Assystem	6.11	30/09/2024	Services	France	9,000,000	6,899,985

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

3. Financial assets and financial liabilities at fair value through profit or loss cont/d...

Investment in the Subsidiary cont/d...

The Subsidiary in turn, holds the following investments summarized below as at 31 December 2022 cont/d...:

						Fair value as at 31 December 2022
Security description	Coupon %	Maturity	Industry	Country	Nominal	€
Bank Loans cont/d...						
Auris Luxembourg III SA	6.44	23/02/2026	Healthcare	Luxembourg	7,000,000	6,312,495
AVS Group GmbH	5.37	10/09/2026	Capital Goods	Germany	5,980,000	5,608,493
Barentz Europe B.V.	5.95	25/11/2027	Chemicals	Netherlands	3,500,000	3,379,688
BCPE Max Dutch Bidco BV	5.98	31/10/2025	Healthcare	Netherlands	7,100,000	6,727,250
Best Food of Nature Holdco III SAS	5.91	11/09/2026	Food/Beverage/Tobacco	France	7,000,000	6,352,500
Boost Holdings 2	7.20	31/10/2028	Services	France	3,250,000	3,038,750
Bowtie Germany BidCo GmbH	5.70	25/02/2028	Healthcare	Germany	2,000,000	1,806,660
Breitling Financing Sarl	5.63	15/10/2028	Consumer-Products	United States	2,241,413	2,177,914
Caldic B.V.	5.11	23/02/2029	Chemicals	Netherlands	2,000,000	1,905,000
Castillon SAS	6.55	09/12/2027	Technology	France	3,351,351	3,257,095
CD&R Firefly Bidco Ltd	4.86	23/06/2025	Super Retail	United Kingdom	2,000,000	1,939,440
CD&R Firefly Bidco Ltd	4.86	23/06/2025	Super Retail	United Kingdom	2,500,000	2,423,438
Cerebro BidCo GmbH	5.86	13/12/2027	Healthcare	Germany	823,821	793,958
Cerebro BidCo GmbH	5.86	13/12/2027	Healthcare	Germany	1,426,179	1,374,480
Cerelia SASU	6.40	31/03/2027	Food/Beverage/Tobacco	France	4,800,000	3,816,000
Civica Group Ltd	8.18	14/10/2024	Technology	United States	4,000,000	3,973,039
ColourOZ Investment 1 GmbH	5.75	21/09/2023	Chemicals	Germany	4,717,548	3,343,562
Corialis International	3.15	16/06/2028	Building Materials	Belgium	1,800,000	1,671,426
CSM Ingredients S.a.r.l.	6.82	09/02/2028	Food/Beverage/Tobacco	Luxembourg	5,250,000	4,035,938
Curium Bidco Sarl	5.95	01/07/2026	Healthcare	Luxembourg	3,812,500	3,663,584
Euro Ethnic Foods Bidco	5.13	13/03/2028	Food & Drug Retail	Luxembourg	2,000,000	1,891,880
GHD Verwaltung Gesundheits GmbH	5.69	17/08/2026	Healthcare	United States	5,478,000	4,759,013
Hestia Holding SASU	5.95	30/06/2027	Insurance	United States	2,700,000	2,586,371
Hestiafloor 2 SASU	5.95	27/02/2027	Building Materials	United States	6,000,000	5,723,550
Hotelbeds Group	6.96	30/09/2027	Leisure	United Kingdom	8,000,000	6,783,360
Impala Bidco 0 Ltd	8.18	22/05/2028	Healthcare	United States	4,800,000	5,022,381
Inspired Finco Holdings Limited	5.90	29/05/2026	Services	United Kingdom	1,500,000	1,485,375
Inspired Finco Holdings Limited	4.90	29/05/2026	Services	United Kingdom	3,800,000	3,592,197
Iris Bidco GmbH	6.61	30/06/2028	Healthcare	United States	8,000,000	6,937,160
IVC Acquisition LTD	6.29	09/02/2026	Healthcare	United Kingdom	2,000,000	1,867,770
IVC Acquisition LTD	6.04	09/02/2026	Healthcare	United Kingdom	3,000,000	2,780,895
Kersia International SASU	6.13	25/11/2027	Chemicals	France	1,000,000	900,000
LSF10 XL Bidco SCA	6.13	30/03/2028	Building Materials	Luxembourg	6,230,334	5,059,312
Lsf11 Folio Bidco GmbH	6.20	28/02/2029	Capital Goods	Germany	2,800,000	2,583,000
Markermeer Finance BV	5.80	22/01/2027	Services	Netherlands	6,000,000	5,407,500
Marnix SAS	4.46	19/11/2026	Services	France	2,000,000	1,903,410

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

3. Financial assets and financial liabilities at fair value through profit or loss cont/d...

Investment in the Subsidiary cont/d...

The Subsidiary in turn, holds the following investments summarized below as at 31 December 2022 cont/d...:

						Fair value as at 31 December 2022
Security description	Coupon %	Maturity	Industry	Country	Nominal	€
Bank Loans cont/d...						
Mehilainen Yhtiot Oy	5.73	11/08/2025	Healthcare	Finland	4,500,000	4,268,565
Nemera N	5.95	23/02/2026	Healthcare	France	7,500,000	6,933,750
Odyssee Investment Bidco SASU	5.45	13/10/2028	Services	United States	2,750,000	2,633,813
OEP Trafo BidCo GmbH	6.40	01/07/2024	Capital Goods	Germany	5,093,714	3,937,441
Park Resorts / Parkdean	7.71	06/02/2024	Leisure	United Kingdom	6,000,000	6,080,711
Patagonia Bidco Limited	8.68	31/07/2028	Building Materials	United Kingdom	4,700,000	4,375,640
PharmaZell	6.20	19/05/2027	Healthcare	Germany	5,062,500	4,854,938
PHM Netherlands Midco B.V.	5.25	03/08/2026	Publishing/Printing	Netherlands	4,862,500	4,254,688
PHM SF Dutch Bidco	5.11	08/03/2028	Food/Beverage/Tobacco	Netherlands	1,500,000	1,318,125
Powder Bidco SAS	4.38	28/07/2028	Food/Beverage/Tobacco	France	2,000,000	1,936,660
Quimper AB	4.09	16/02/2026	Services	Sweden	1,500,000	1,375,208
Rainbow Finco S.a.r.l.	4.41	23/02/2029	Consumer-Products	Luxembourg	3,250,000	3,052,969
Refresco Holding BV	6.01	12/07/2029	Food/Beverage/Tobacco	Netherlands	5,500,000	5,324,385
Restaurant Brands International Inc.	5.21	20/10/2028	Restaurants	Canada	4,250,000	3,973,750
Roar BidCo AB	5.00	17/02/2028	Healthcare	United States	5,000,000	4,525,000
Sandy BidCo BV	6.04	12/06/2028	Leisure	Netherlands	4,500,000	4,312,980
Saverglass S.A.S.	4.25	07/02/2029	Containers	France	3,750,000	3,471,113
Silk Bidco AS	4.91	24/02/2025	Transportation Excluding Air/Rail	United States	8,000,000	6,323,760
Sirona BidCo SASU	6.33	18/12/2028	Healthcare	France	5,250,000	4,961,250
SLV Holding GmbH	6.15	03/01/2024	Capital Goods	United States	6,608,358	4,559,767
Speedster Bidco GmbH	5.11	31/03/2027	Technology	Germany	5,000,000	4,597,225
Sunrise Bidco S.a r.l.	5.11	27/07/2028	Healthcare	Luxembourg	3,400,000	3,208,750
Sunshine Luxembourg VII Sarl	5.70	01/10/2026	Consumer-Products	Luxembourg	1,809,333	1,740,225
Surf Holdings S.a r.l.	5.49	05/03/2027	Technology	Luxembourg	1,930,253	1,868,726
Tackle S.A.R.L.	4.36	08/05/2028	Gaming	Luxembourg	6,300,000	5,909,526
team.blue Finco SARL	5.90	24/03/2028	Technology	Luxembourg	2,750,000	2,605,048
TMF Group Holding BV	4.19	05/05/2025	Services	Netherlands	4,000,000	3,827,000
Triley Bidco Ltd	6.65	05/04/2029	Healthcare	United Kingdom	4,250,000	4,000,313
TSG Solutions Holding SACA	5.86	29/03/2029	Services	United States	2,000,000	1,900,000
Virgin Media Ireland Ltd	3.86	13/07/2029	Cable/Satellite TV	Ireland	4,000,000	3,823,760
Winterbotham Darby & Co Ltd	9.63	21/01/2028	Food/Beverage/Tobacco	United Kingdom	7,000,000	6,742,005
Wittur Holding GmbH	5.13	23/09/2026	Capital Goods	United States	8,000,000	4,872,000
Zephyr Bidco Ltd	5.66	14/07/2025	Technology	United Kingdom	5,000,000	4,517,500
ZF Invest	5.24	03/07/2028	Food & Drug Retail	France	6,500,000	5,561,920
						318,373,320

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

3. Financial assets and financial liabilities at fair value through profit or loss cont/d...

Investment in the Subsidiary cont/d...

The Subsidiary in turn, holds the following investments summarized below as at 31 December 2022 cont/d...:

						Fair value as at 31 December 2022
Security description	Coupon %	Maturity	Industry	Country	Nominal	€
Corporate Bonds						
Altice Financing SA	3.00	15/01/2028	Telecommunications	Luxembourg	2,325,000	1,843,155
Altice France Holding SA	4.00	15/02/2028	Telecommunications	Luxembourg	1,000,000	647,863
Altice France SA	3.38	15/01/2028	Telecommunications	France	800,000	605,560
Cirsa Finance Inter	5.67	30/09/2025	Gaming	Luxembourg	1,250,000	1,209,375
Garfunkelux Holdco 3 SA	7.89	01/05/2026	Services	Luxembourg	3,300,000	2,884,388
Kapla Holding SAS	3.38	15/12/2026	Services	France	1,325,000	1,181,377
Kleopatra Finco SARL	4.25	01/03/2026	Containers	Luxembourg	950,000	744,707
Lorca Telecom Bondco	4.00	18/09/2027	Telecommunications	Spain	2,350,000	2,112,063
Sigma Holdco BV	5.75	15/05/2026	Food/Beverage/Tobacco	Netherlands	3,000,000	2,175,000
Summer BC Holdco B SARL	5.75	31/10/2026	Services	Luxembourg	2,650,000	2,269,063
United Group BV	4.32	01/02/2029	Cable/Satellite TV	Netherlands	1,000,000	868,750
United Group BV	3.13	15/02/2026	Cable/Satellite TV	Netherlands	1,325,000	1,068,944
						17,610,245
Private Loans						
DHG Bidco Limited	7.00	09/06/2027	Healthcare	United Kingdom	2,904,564	3,273,744
DHG Bidco Limited	7.00	09/06/2026	Healthcare	United Kingdom	3,432,645	3,432,645
DHG Bidco Limited	7.00	09/06/2027	Healthcare	United Kingdom	1,659,751	1,659,751
DHG Bidco Limited	7.00	09/06/2026	Healthcare	United Kingdom	6,937,873	7,819,699
Ezentis	7.25	31/07/2025	Telecommunications	Spain	8,978,830	1,294,333
HGMedical GmbH	7.50	14/09/2025	Healthcare	Germany	2,500,000	2,500,000
IskayPet	6.25	29/10/2026	Services	Spain	5,263,427	5,263,427
Restabell Franquicias SLU	8.00	02/11/2026	Consumer Discretionary	Spain	3,313,849	3,313,849
Restabell Franquicias SLU	8.00	02/11/2026	Consumer Discretionary	Spain	719,488	719,488
Restabell Franquicias SLU	8.00	02/11/2026	Consumer Discretionary	Spain	703,423	703,423
						29,980,359
						365,963,924

The Subsidiary in turn, held the following investments summarized below as at 31 December 2021:

						Fair value as at 31 December 2021
Security description	Coupon %	Maturity	Industry	Country	Nominal	€
Bank Loans						
ADB Safegate BVBA	3.50	02/10/2024	Capital Goods	Luxembourg	6,000,000	5,637,510
Aenova Holding GmbH	4.50	31/03/2026	Healthcare	Germany	3,550,000	3,564,431
AI Alpine AT Bidco GmbH	3.00	24/10/2025	Capital Goods	Austria	8,000,000	7,869,520
AI Plex AcquiCo GmbH	4.50	31/07/2026	Chemicals	Germany	5,000,000	5,013,775
All-Star Bidco AB	3.17	16/11/2028	Services	Sweden	1,000,000	1,002,710

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

3. Financial assets and financial liabilities at fair value through profit or loss cont/d...

Investment in the Subsidiary cont/d...

The Subsidiary in turn, holds the following investments summarized below as at 31 December 2021 cont/d...:

						Fair value as at 31 December 2021
Security description	Coupon %	Maturity	Industry	Country	Nominal	€
Bank Loans cont/d...						
Alpha AB Bidco BV	3.50	30/07/2025	Capital Goods	Netherlands	4,000,000	3,979,780
Amphora Finance Ltd	4.77	30/05/2025	Food/Beverage/Tobacco	United Kingdom	5,400,000	6,235,997
Andromeda Investissements	3.00	15/06/2026	Insurance	France	3,074,947	3,048,995
Antigua Bidco Ltd	4.00	10/08/2026	Healthcare	United Kingdom	6,175,000	6,179,292
Aragon Bidco GmbH	3.75	11/10/2028	Healthcare	Germany	3,500,000	3,503,658
Artemis Acquisition UK Ltd	4.00	23/06/2025	Food/Beverage/Tobacco	Hungary	6,000,000	5,983,110
Assystem	4.25	30/09/2024	Services	France	9,000,000	8,826,750
Atlas Packaging GmbH	4.50	21/07/2025	Containers	United Kingdom	6,000,000	5,740,020
Auris Luxembourg III SA	4.00	23/02/2026	Healthcare	Luxembourg	7,000,000	6,996,185
AVS Group GmbH	3.75	10/09/2026	Capital Goods	Germany	5,980,000	5,971,778
BCPE Max Dutch Bidco BV	4.25	31/10/2025	Healthcare	Netherlands	7,100,000	6,705,063
Best Food of Nature Holdco III SAS	4.00	11/09/2026	Food/Beverage/Tobacco	France	6,000,000	6,023,640
Boost Holdings 2	5.00	31/10/2028	Services	France	3,250,000	3,217,500
Bowtie Germany BidCo GmbH	3.50	25/02/2028	Healthcare	Germany	2,000,000	1,989,380
Breitling Financing Sarl	4.00	15/10/2028	Consumer-Products	United States	4,241,413	4,256,979
Castillon SAS	4.50	09/12/2027	Technology	France	3,351,351	3,372,716
CD&R Firefly Bidco Ltd	3.75	23/06/2025	Super Retail	United Kingdom	2,000,000	2,001,140
CD&R Firefly Bidco Ltd	3.75	23/06/2025	Super Retail	United Kingdom	2,500,000	2,500,525
CeramTec	2.50	07/03/2025	Capital Goods	Germany	3,935,122	3,927,330
Cerebro BidCo GmbH	4.25	13/12/2027	Healthcare	Germany	1,426,179	1,433,645
Cerebro BidCo GmbH	4.25	13/12/2027	Healthcare	Germany	823,821	828,134
Cerelia SASU	4.18	31/03/2027	Food/Beverage/Tobacco	France	4,800,000	4,730,136
Civica Group Ltd	5.01	14/10/2024	Technology	United States	4,000,000	4,729,905
ColourOZ Investment 1 GmbH	5.00	21/09/2023	Chemicals	Germany	6,852,289	6,837,282
Corialis International	3.50	22/05/2028	Building Materials	Belgium	1,800,000	1,795,293
CSM Ingredients S.a.r.l.	5.00	09/02/2028	Food/Beverage/Tobacco	Luxembourg	5,250,000	5,218,841
Curium Bidco Sarl	3.75	01/07/2026	Healthcare	Luxembourg	3,812,500	3,816,465
DLG Acquisitions Ltd	3.50	15/05/2026	Diversified Media	United Kingdom	1,697,857	1,696,482
Esmaglass Itaca Group	4.50	28/02/2028	Building Materials	Spain	1,000,000	1,002,500
Euro Ethnic Foods Bidco	3.50	28/01/2028	Food & Drug Retail	Luxembourg	1,000,000	993,940
Gfk SE	3.50	29/06/2028	Technology	Germany	1,750,000	1,756,379
GHD Verwaltung Gesundheits GmbH	4.00	17/08/2026	Healthcare	United States	5,478,000	5,445,214
Hera SAS	3.50	20/09/2024	Healthcare	France	8,000,000	7,988,760
Hestia Holding SASU	4.00	30/06/2027	Insurance	United States	2,700,000	2,710,301
Hestiafloor 2 SASU	3.75	27/02/2027	Building Materials	United States	6,000,000	6,017,160
Hotelbeds Group	4.50	30/09/2027	Leisure	United Kingdom	8,000,000	7,160,000
Impala Bidco 0 Ltd	5.44	22/05/2028	Healthcare	United States	4,800,000	5,759,868
Inspired Finco Holdings Limited	3.25	29/05/2026	Services	United Kingdom	3,800,000	3,767,434

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

3. Financial assets and financial liabilities at fair value through profit or loss cont/d...

Investment in the Subsidiary cont/d...

The Subsidiary in turn, held the following investments summarized below as at 31 December 2021 cont/d...:

						Fair value as at 31 December 2021
Security description	Coupon %	Maturity	Industry	Country	Nominal	€
Bank Loans cont/d...						
Iris Bidco GmbH	5.00	22/05/2028	Healthcare	United States	8,000,000	8,043,320
IVC Acquisition LTD	3.75	09/02/2026	Healthcare	United Kingdom	3,000,000	3,000,420
IVC Acquisition LTD	4.00	09/02/2026	Healthcare	United Kingdom	2,000,000	2,005,420
Kersia International SASU	3.93	25/11/2027	Chemicals	France	1,000,000	1,005,210
L1R HB Finance Ltd	4.25	12/08/2024	Super Retail	United Kingdom	7,207,362	6,833,480
LSF10 XL Bidco SCA	4.00	30/03/2028	Building Materials	Luxembourg	7,300,000	7,319,017
Lsf11 Folio Bidco GmbH	3.67	06/11/2028	Capital Goods	Germany	2,800,000	2,809,800
LSF11 Skyscraper Holdco Sarl	2.92	30/09/2027	Chemicals	United States	2,775,000	2,774,556
LSFX Flavum Bidco SL	4.50	25/02/2028	Building Materials	Spain	5,275,000	5,291,484
Markermeer Finance BV	3.50	22/01/2027	Services	Netherlands	7,000,000	6,954,045
Marnix SAS	3.00	19/11/2026	Services	France	2,000,000	1,974,120
Mehilainen Yhtiot Oy	3.63	29/08/2025	Healthcare	Finland	4,500,000	4,511,250
Nemera N	3.75	23/02/2026	Healthcare	France	7,500,000	7,443,750
Odyssee Investment Bidco SASU	3.17	13/10/2028	Services	France	1,750,000	1,752,555
OEP Trafo BidCo GmbH	4.50	01/07/2024	Capital Goods	Germany	5,025,278	4,708,057
Park Resorts / Parkdean	4.48	06/02/2024	Leisure	United Kingdom	7,000,000	8,257,366
Patagonia Bidco Limited	4.80	16/10/2028	Building Materials	United Kingdom	3,976,923	4,714,766
Patagonia Bidco Limited	5.44	16/10/2028	Building Materials	United Kingdom	723,077	857,230
Perstorp Holding AB	4.75	13/04/2026	Chemicals	Sweden	7,000,000	7,007,665
PharmaZell	4.00	19/05/2027	Healthcare	Germany	5,062,500	5,076,422
PHM Netherlands Midco B.V.	5.25	03/08/2026	Publishing/Printing	Netherlands	4,912,500	4,906,359
PHM SF Dutch Bidco	3.50	08/03/2028	Food/Beverage/Tobacco	Netherlands	1,500,000	1,495,583
Powder Bidco SAS	3.75	28/07/2028	Food/Beverage/Tobacco	France	2,000,000	2,005,840
Quimper AB	3.25	16/02/2026	Services	Sweden	1,500,000	1,488,675
Restaurant Brands International Inc.	4.00	20/10/2028	Restaurants	Canada	4,250,000	4,279,240
Roar BidCo AB	3.25	30/03/2028	Healthcare	United States	5,000,000	4,948,750
Sandy BidCo BV	3.42	18/09/2028	Leisure	Netherlands	2,500,000	2,508,600
Schur Flexibles GmbH	4.25	18/09/2028	Containers	Germany	1,000,000	1,004,295
Silk Bidco AS	4.00	24/02/2025	Transportation	United States	8,000,000	7,495,440
Sirona BidCo SASU	4.50	20/10/2028	Healthcare	France	5,250,000	5,251,969
SLV Holding GmbH	4.25	03/01/2024	Capital Goods	United States	6,608,358	6,472,061
Speedster Bidco GmbH	2.42	31/03/2027	Technology	Germany	5,000,000	4,918,975
Sportradar AG	3.50	27/10/2027	Technology	Switzerland	2,750,000	2,753,438
Sunrise Bidco S.a r.l.	3.75	27/07/2028	Healthcare	Luxembourg	3,400,000	3,406,375
Sunshine Luxembourg VII Sarl	3.50	01/10/2026	Consumer-Products	Luxembourg	1,809,333	1,807,894
Surf Holdings S.a r.l.	3.50	05/03/2027	Technology	Luxembourg	1,950,000	1,946,081
Tackle S.A.R.L.	4.00	08/05/2028	Gaming	Luxembourg	6,300,000	6,230,921
team.blue Finco SARL	3.75	27/03/2028	Technology	Luxembourg	148,649	148,675
team.blue Finco SARL	3.75	24/03/2028	Technology	Luxembourg	2,601,351	2,601,820

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

3. Financial assets and financial liabilities at fair value through profit or loss cont/d...

Investment in the Subsidiary cont/d...

The Subsidiary in turn, held the following investments summarized below as at 31 December 2021 cont/d...:

						Fair value as at 31 December 2021
Security description	Coupon %	Maturity	Industry	Country	Nominal	€
Bank Loans cont/d...						
TMF Group Holding BV	3.25	05/05/2025	Services	Netherlands	4,000,000	3,971,420
Virgin Media Ireland Ltd	3.50	18/06/2029	Cable/Satellite TV	Ireland	4,000,000	3,991,660
Winterbotham Darby & Co Ltd	6.12	21/01/2028	Food/Beverage/Tobacco	United Kingdom	6,000,000	7,052,444
Wittur Holding GmbH	4.50	23/09/2026	Capital Goods	United States	8,000,000	7,816,280
Zephyr Bidco Ltd	3.75	14/07/2025	Technology	United Kingdom	5,000,000	4,972,500
ZF Invest	4.00	03/07/2028	Food & Drug Retail	France	6,500,000	6,523,660
						379,574,411
Corporate Bonds						
Altice Financing SA	3.00	15/01/2028	Telecommunications	Luxembourg	2,325,000	2,210,547
Altice France Holding SA	4.00	15/02/2028	Telecommunications	Luxembourg	1,000,000	956,250
Altice France SA	3.38	15/01/2028	Telecommunications	France	800,000	780,176
Cirsa Finance Inter	3.63	30/09/2025	Gaming	Luxembourg	1,250,000	1,222,656
Crystal Almond SARL	4.25	15/10/2024	Telecommunications	Luxembourg	825,000	842,503
Golden Goose SPA	4.88	14/05/2027	Super Retail	Italy	675,000	674,563
Ima Industria Macchine	3.75	15/01/2028	Capital Goods	Italy	825,000	821,450
Kapla Holding SAS	3.38	15/12/2026	Services	France	1,325,000	1,326,292
Kleopatra Finco SARL	4.25	03/01/2026	Containers	Luxembourg	450,000	436,259
Lorca Telecom Bondco	4.00	18/09/2027	Telecommunications	Spain	2,350,000	2,394,161
Sigma Holdco BV	5.75	15/05/2026	Food/Beverage/Tobacco	Netherlands	3,000,000	2,778,525
Summer Bc Holdco B SARL	5.75	31/10/2026	Services	Luxembourg	2,650,000	2,767,408
United Group BV	3.13	02/15/2026	Cable/Satellite TV	Iceland	1,325,000	1,290,086
						21,839,582
Private Loans						
BOA Unitranche Facility	6.75	09/11/2025	Capital Goods	Netherlands	3,354,839	3,354,839
DHG Bidco Limited	7.00	06/09/2026	Healthcare	United Kingdom	3,432,645	3,432,645
DHG Bidco Limited	7.26	06/09/2026	Healthcare	United Kingdom	6,937,873	8,263,283
DHG Bidco Limited	7.26	16/03/2027	Healthcare	United Kingdom	2,904,564	3,459,451
DHG Bidco Limited	7.00	16/03/2027	Healthcare	United Kingdom	1,659,751	1,659,751
Ezentis	7.25	07/31/2025	Telecommunications	Spain	8,734,280	8,734,280
HGMedical GmbH	7.50	14/09/2025	Healthcare	Germany	2,500,000	2,500,000
IskayPet	6.25	29/10/2026	Services	Spain	5,132,508	5,132,508
Restabell Franquicias SLU	8.00	11/02/2026	Consumer Discretionary	Spain	1,388,071	1,350,663
Restabell Franquicias SLU	8.00	11/02/2026	Consumer Discretionary	Spain	3,220,000	3,139,500
						41,026,920
						442,440,913

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

4. Fair value of assets and liabilities

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

The Fund categorises investments using the following hierarchy as defined by IFRS 13:

Level 1 - Quoted market prices in an active market for an identical instrument.

Level 2 - Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

The following table shows financial instruments recognised at fair value as at 31 December 2022:

	Level 1	Level 2	Level 3	Total Fair Value
Muzinich Firstlight Middle Market ELTIF SICAV, S.A.	€	€	€	€
Investment in Subsidiary	-	-	292,663,624	292,663,624
Total financial assets and liabilities at fair value through profit or loss	-	-	292,663,624	292,663,624

For the year ended 31 December 2022, there was no transfer between levels on the fair value hierarchy.

The following table shows financial instruments recognised at fair value as at 31 December 2021:

	Level 1	Level 2	Level 3	Total Fair Value
Muzinich Firstlight Middle Market ELTIF SICAV, S.A.	€	€	€	€
Investment in Subsidiary	-	-	349,705,268	349,705,268
Total financial assets and liabilities at fair value through profit or loss	-	-	349,705,268	349,705,268

For the year ended 31 December 2021, there was no transfer between levels on the fair value hierarchy.

Valuation process for Level 3 valuations

The Fund's illiquid assets will be valued at fair value in accordance with the International Private Equity and Venture Capital Guidelines Edition December 2022 (as may be amended or reissued from time to time).

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

4. Fair value of assets and liabilities cont/d...

Quantitative information of significant unobservable inputs - Level 3

The following tables summarise the quantitative inputs and assumptions used for financial assets at fair value through profit or loss categorised as Level 3 in the fair value hierarchy.

As at 31 December 2022	Valuation technique	Unobservable input	Range	Fair Value €
Investment in Subsidiary	Net assets value (fair value basis)	Net asset value	None	292,663,624

As at 31 December 2021	Valuation technique	Unobservable input	Range	Fair Value €
Investment in Subsidiary	Net assets value (fair value basis)	Net asset value	None	349,705,268

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting year.

	Shares in affiliated undertakings €	Loans to affiliated undertakings €	Total €
Cost at the beginning of the year	5,632,459	345,658,215	351,290,674
Additions	-	-	-
Redemptions	-	(4,864,038)	(4,864,038)
Cost at the end of the year	5,632,459	340,794,177	346,426,636
Fair value adjustment at the beginning of the year	(1,620,413)	35,008	(1,585,405)
Fair value adjustment for the year	2,262,396	(54,440,003)	(52,177,607)
Fair value adjustment at the end of the year	641,983	(54,404,995)	(53,763,012)
Balance at the beginning of the year	4,012,045	345,693,223	349,705,268
Balance at the end of the year	6,274,442	286,389,182	292,663,624

The following table provides further information about the portfolio of the Subsidiary, Muzinich Firstlight Middle Market Luxco, S.à r.l., at the end of the reporting year:

31 December 2022	Level 1 €	Level 2 €	Level 3 €	Market Value €
Muzinich Firstlight Middle Market Luxco, S.à r.l.				
Bank Loans	-	318,373,320	-	318,373,320
Corporate Bonds	-	17,610,245	-	17,610,245
Private Loans	-	-	29,980,359	29,980,359
	-	335,983,565	29,980,359	365,963,924

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

4. Fair value of assets and liabilities cont/d...

Quantitative information of significant unobservable inputs - Level 3 cont/d...

31 December 2021	Level 1	Level 2	Level 3	Market Value
	€	€	€	€
Muzinich Firstlight Middle Market Luxco, S.à r.l.				
Bank Loans	-	379,574,411	-	379,574,411
Corporate Bonds	-	21,839,582	-	21,839,582
Private Loans	-	-	41,026,920	41,026,920
	-	401,413,993	41,026,920	442,440,913

Other financial assets and liabilities

For all other financial assets and liabilities not carried at fair value, the carrying value is an approximation of fair value.

For each class of assets and liabilities not measured at fair value in the Statement of Financial Position but for which fair value is disclosed, IFRS 13 requires the Fund to disclose the level within the fair value hierarchy within which the fair value measurement would be categorised and a description of the valuation technique and inputs used in the technique.

Cash at bank is categorised as Level 1.

Receivable for investments sold and other receivables include the contractual amounts for settlement of trades and other obligations due to the Fund. Payable for investments sold and other payables represent the contractual amounts and obligations due by the Fund for settlement of trades and expenses. All receivable and payable balances are categorised as Level 2.

The value of the Shares is calculated based on the net difference between total assets and all other liabilities of the Fund in accordance with the Fund's Prospectus. These Shares are not traded on an active market. They are redeemable at the Shareholders' option for an amount equal to a proportionate share of the Fund's NAV attributable to the class of Share. The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 3 is deemed to be the most appropriate categorisation for net assets attributable to Shareholders.

5. Other receivables

	31 December 2022	31 December 2021
Other receivables	€	€
Interest receivable	6,045,733	4,133,337
VAT receivable	41,470	
Prepaid organisational expenses	-	168,221
	6,087,203	4,301,558

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

6. Other payables

	31 December 2022	31 December 2021
Other payables	€	€
Administrative fee payable	(112,095)	(132,581)
Management fees payable	(1,067,711)	(1,254,673)
Depositary fees payable	(249,764)	(179,927)
Administrator fees payable	(444,850)	(369,716)
Audit fees payable	(33,000)	(29,250)
Subscription tax payable	(36,711)	(46,604)
Professional and legal fees payable	(182,260)	(257,944)
Organisational expenses payable	(85,304)	(85,304)
	(2,211,695)	(2,355,999)

7. Number of Shares in issue and net assets attributable to Shareholders

Each Share will represent an individual beneficial interest in the Fund. The return on an investment in the Fund will depend solely upon the investment performance of the assets in the Fund and the increase or decrease (as the case may be) in the Net Asset Value of the Shares.

Net assets attributable to Shareholders represents a liability in the Statement of Financial Position, carried at the redemption amount that would be payable at the Statement of Financial Position date if the Shareholder exercised the right to redeem the Shares in the Fund.

The following tables show the movement in subscriptions and redemptions of each type of Share that was in issue during the financial year ended:

31 December 2022	Number of shares at the beginning of the year	Number of shares subscribed	Number of shares redeemed	Number of shares at the end of the year
Class of Share				
H	148,278	-	-	148,278
A	40,000	-	-	40,000
R	811,455	-	(1,032)	810,423
P	2,524,573	-	(54,386)	2,470,187

31 December 2021	Number of shares at the beginning of the year	Number of shares subscribed	Number of shares redeemed	Number of shares at the end of the year
Class of Share				
H	148,278	-	-	148,278
A	40,000	-	-	40,000
R	811,455	-	-	811,455
P	2,524,573	-	-	2,524,573

Additional subscriptions may not occur since one year of first subscription date.

Investors were able to request the redemption of their Shares on a semi-annual basis starting on 1 January 2022 and subject to the conditions of the Prospectus.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

8. Net gains /(losses) on financial assets and liabilities at fair value through profit or loss

	31 December 2022	31 December 2021
	€	€
Unrealised gain/(loss) on investment in the Subsidiary	(52,177,605)	4,174,282
Unrealised gain/(loss) on foreign currency	18	(20)
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	(52,177,587)	4,174,262

9. Administrator and Depositary fees

The Administrator is entitled to receive an annual fee of no more than 0.10% of the net asset value of the Fund, accrued daily and payable monthly in arrears, out of the assets of the Fund. The Administrator is entitled to recover its reasonable out-of-pocket expenses from the Fund.

The Depositary is entitled to receive an annual fee of no more than 0.10% of the net asset value of the Fund, accrued daily and payable monthly in arrears out of the assets of the Fund. The Depositary is entitled to recover its reasonable out-of-pocket expenses from the Fund.

10. Related party transactions

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. The following parties are considered related parties of the Fund:

AIFM

In respect of commitments corresponding to the Fund's classes of Shares, the Fund will also pay the AIFM an annual management fee (the "Management Fee"), as set out below. The Management Fee will be calculated as a percentage of the relevant class's net asset value and will be paid to the AIFM on a quarterly basis in arrears.

Class of Shares	Maximum Management Fee
H	0.60%
A	1.00%
R	1.20%
P	1.50%

The Management Fee will be reduced by 100% (without double-counting) of any: (i) directors' fees, financial consulting fees, advisory fees, monitoring or other transaction fees, paid to the AIFM or any of its affiliates, with respect to the Fund's investments and (ii) break up or abort fees with respect to the Fund's transactions not completed that are paid to the AIFM or any of its affiliates.

No performance-related fees are payable.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

10 Related party transactions cont/d...

The AIFM will pay the fees of the Portfolio Manager from the Management Fee. Additionally, the AIFM may pay all or part of the Management Fee, and/or the Portfolio Manager may pay all or part of its fee, to any party that invests in or provides services to the AIFM or the Portfolio Manager, or in respect of the Fund, including any distributor or sub-distributor.

In addition to the foregoing, on a quarterly basis in arrears, the Fund will pay the AIFM an annual administrative fee equal to 0.15% of the Fund's net asset value. The administrative fee will be calculated as a percentage of the relevant class's net asset value and will be paid to the AIFM on a quarterly basis in arrears. For the avoidance of doubt, such administrative fee is payable in addition to fees payable by the Fund to the Administration fees described in Note 9.

An amount of EUR 4,901,645 (2021: EUR 5,515,983) was due to the AIFM during the year ended 31 December 2022 and the fees payable at the year end were EUR 1,179,806 (2021: EUR 1,387,254).

Subsidiary

Please refer to Note 3 for the investment made in the Subsidiary.

11. Distributions

Please see note 1(x) for the description of the distribution policy. The distributions during the year ended 31 December 2022 are as follows:

Class	Distribution Rate	Total Dividend	Ex-Date	Pay-Date
H EUR	2.1576	319,919	31-Mar-22	26-Apr-22
	2.3918	354,650	30-Sep-22	24-Oct-22
A EUR	1.9446	77,783	31-Mar-22	26-Apr-22
	2.1950	87,800	30-Sep-22	24-Oct-22
R EUR	1.8400	1,493,095	31-Mar-22	26-Apr-22
	2.1582	1,749,062	30-Sep-22	24-Oct-22
P EUR	1.6805	4,242,534	31-Mar-22	26-Apr-22
	2.0051	4,952,935	30-Sep-22	24-Oct-22

Distributions during the year ended 31 December 2021 are as follows:

Class	Distribution Rate	Total Dividend	Ex-Date	Pay-Date
H EUR	2.2017	326,468	31-Mar-21	26-Apr-21
	2.1839	323,826	30-Sep-21	22-Oct-21
A EUR	1.9918	79,673	31-Mar-21	26-Apr-21
	1.9679	78,715	30-Sep-21	22-Oct-21
R EUR	1.9346	1,569,880	31-Mar-21	26-Apr-21
	1.9709	1,599,325	30-Sep-21	22-Oct-21
P EUR	1.7294	4,365,900	31-Mar-21	26-Apr-21
	1.7012	4,294,774	30-Sep-21	22-Oct-21

Notes to the financial statements for the year ended 31 December 2022 cont/d...

12. Financial risks

The Fund raises and channels capital in line with the EU objective of smart, sustainable and inclusive growth. The Fund will seek to invest, via its Subsidiary, mostly in syndicated loans and private debt instruments (both of which generally pay a floating rate of interest) and may also invest in bonds and junior investment opportunities.

As an ELTIF, the Fund may invest in long-term assets, meaning assets that are typically of an illiquid nature, require patient capital based on commitments made for a considerable period of time, often provide late return on investment and generally have an economic profile of a long term nature.

The AIFM delegates the portfolio management functions to the Portfolio Manager.

The main risks relating to financial instruments are set out below.

(a) Market Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; market price risk, interest rate risk and currency risk.

(i) Market price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to individual financial instruments or its issuer, or other factors affecting similar financial instruments traded in the market. The Fund, via its Subsidiary, invests in debt securities. Movements in the market prices of debt securities will affect the Net Asset Value of the Fund. The Fund is therefore exposed to market price risks in relation to the debt investments.

The value of the Fund's investment in the Subsidiary will go up and down as prices of the financial instruments in which the Subsidiary invest fluctuate. The financial instruments are susceptible to market price risk from uncertainty about future prices of financial instruments. All securities in which the Fund and Subsidiary invest present a risk of loss of capital. The Fund manages price risk by investing in a diversified portfolio of assets and by using various investment strategies. The Fund manages price risk by investing in a diversified portfolio of assets and by monitoring exposures and concentration on a regular basis.

A movement in market prices of the financial assets of the Subsidiary will have a proportionate impact on the value of its investments.

(ii) Interest rate risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund, via its Subsidiary, invests mainly in fixed income securities i.e. bonds. Accordingly, the value of the investments is sensitive to movements in interest rates. Longer term obligations are usually more sensitive to interest rate changes. The performance of the Fund may be affected by changes in economic and marketing conditions and in the legal, regulatory and tax requirements or due to an issuer's individual situation.

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

12. Financial risks cont/d...

(a) Market Risk cont/d...

(ii) Interest rate risk cont/d...

The interest rate profile of the Subsidiary's portfolio is as follows:

31 December 2022	Up to 1 year €	1 to 5 years €	Non-interest bearing €	Total €
Cash at bank	11,660,824	-	-	11,660,824
Investments	3,343,562	362,620,362	-	365,963,924
Other assets	59,376,471	-	-	59,376,471
Total Assets	74,380,857	362,620,362	-	437,001,219
Income Sharing Loan	-	(286,467,007)	-	(286,467,007)
Other liabilities	(144,337,594)	-	-	(144,337,594)
Total Liabilities	(144,337,594)	(286,467,007)	-	(430,804,601)
Total Net Assets				6,196,618

31 December 2021	Up to 1 year €	1 to 5 years €	Non-interest bearing €	Total €
Cash at bank	21,591,282	-	-	21,591,282
Investments	-	442,440,913	-	442,440,913
Other assets	78,477,997	-	-	78,477,997
Total Assets	100,069,279	442,440,913	-	542,510,192
Income Sharing Loan	-	(345,693,223)	-	(345,693,223)
Other liabilities	(192,804,921)	-	-	(192,804,921)
Total Liabilities	(192,804,921)	(345,693,223)	-	(538,498,144)
Total Net Assets				4,012,048

The Subsidiary has obtained a EUR 100 million revolving credit facility from Citibank N.A. and EUR 85 million was drawn as at 31 December 2022. The maturity date of the facility is six years. During the year the facility agreement was amended and the margin replaced with 1.6% during the revolving period prior to the 28 November 2022 and thereafter a revised margin will be applied calculated in accordance with the new terms. At 31 December 2022 the revised margin was 2.10476%.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

As at 31 December 2022 and 31 December 2021, all financial instruments were denominated in the functional currency of the Fund. As at 31 December 2022, there were also non-EUR assets at the level of the subsidiary.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

12. Financial risks cont/d...

(b) Credit risk

This is the risk that one party to a financial instrument or transaction will cause a financial loss for the other party by failing to discharge an obligation when it falls due. This includes counterparty risk and issuer (or investment) risk.

The Fund is subject to the credit risk of its Depositary with respect to cash balances and settlements. The Manager reviews the creditworthiness of the Depositary for these purposes. The Manager reviews in detail the creditworthiness of all bond issuers before committing to a purchase using available information in the market place. The creditworthiness of issuers is also kept under constant review. The Fund has no impaired or past due assets.

Financial assets subject to IFRS 9's impairment requirements

The Fund's financial assets subject to the expected credit loss model within IFRS 9 are cash at bank and short-term trade and other receivables. At 31 December 2022, the total of short-term trade and other receivables was EUR 6,087,203 (31 December 2021: EUR 4,301,558) on which no loss allowance had been provided.

The cash at bank and the portfolio of investments are held in custody by State Street Bank Luxembourg S.C.A., a reputable bank in Luxembourg. State Street Corporation has a senior debt credit rating A1 as per Moody's Investor Services rating. No assets are considered impaired and no amounts have been written off in the year.

The Fund is exposed to credit risk on debt instruments and similar securities and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVPL. The carrying value of these assets represents the Fund's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates.

Offsetting financial assets and financial liabilities

The Fund presents the fair value of its derivative assets and liabilities on a gross basis, no such assets or liabilities have been offset in the statement of financial position.

The Fund's agreements allow for offsetting following an event of default, but not in the ordinary course of business, and the Fund does not intend to settle these transactions on a net basis or settle the assets and liabilities on a simultaneous basis.

There were no offsetting financial assets and financial liabilities as at 31 December 2022 and 31 December 2021.

(c) Liquidity risk

Liquidity risk is defined as the risk that the Fund may not be able to meet its financial liabilities when they fall due.

The AIFM will maintain an adequate and documented liquidity management policy in accordance with the requirements of Alternative Investment Fund Managers Directive ("AIFMD"). The AIFM's liquidity management policy will include such procedures as are necessary to enable the AIFM to assess and monitor the liquidity risk to which the Fund is or may be exposed (including conducting regular stress tests under normal and exceptional liquidity conditions) and to ensure that the liquidity profile of the investments of the Fund comply with the underlying obligations.

In order to manage liquidity risk, aggregate redemptions will be limited at each redemption date to the value of the liquid assets, including cash at bank and investment proceeds not reinvested or already distributed.

The Subsidiary uses leverage as described in note 12(e).

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

12. Financial risks cont/d...

(c) Liquidity risk cont/d...

The tables below analyses the Fund's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

31 December 2022	On demand €	1-3 months €	3-6 months €	More than 1 year €	Total €
Investment in the Subsidiary	292,663,624	-	-	-	292,663,624
Cash at bank	1,001,478	-	-	-	1,001,478
Trade and other receivables	-	6,087,203	-	-	6,087,203
Total assets	293,665,102	6,087,203	-	-	299,752,305
Trade and other payables	-	(2,211,695)	-	-	(2,211,695)
Total liabilities	-	(2,211,695)	-	-	(2,211,695)
Net liquidity balance	293,665,102	3,875,508	-	-	297,540,610

31 December 2021	On demand €	1-3 months €	3-6 months €	More than 1 year €	Total €
Investment in the Subsidiary	349,705,268	-	-	-	349,705,268
Cash at bank	771,060	-	-	-	771,060
Trade and other receivables	-	4,301,558	-	-	4,301,558
Total assets	350,476,328	4,301,558	-	-	354,777,886
Trade and other payables	-	(2,355,999)	-	-	-
Total liabilities	-	(2,355,999)	-	-	(2,355,999)
Net liquidity balance	350,476,328	1,945,559	-	-	352,421,887

(d) Capital risk management

The capital of the Fund is represented by the net assets attributable to Shareholders. The amount of net assets attributable to Shareholders cannot change significantly as the Fund has been closed to subscriptions (please refer to Note 7) and redemptions are subject to the conditions stated in the current prospectus. See Liquidity risk note above for details of how this risk is mitigated.

The Fund's aim with respect to management of its capital is to safeguard its ability to continue as a going concern in order that the Fund may achieve its overall objective of long-term capital growth, and to maintain a strong capital base to support the development of the Fund's investment activities.

The Manager monitors capital on the basis of the value of net assets attributable to Shareholders.

(e) Leverage

The Subsidiary has arranged a EUR 100 million revolving credit facility from Citibank N.A. for leverage. The revolving credit facility is to be used to leverage the acquisition of the investments and fund drawings made in respect of its investments. The amount drawn and terms of the facility are described in note 12(a)(ii).

The leverage employed by the Subsidiary did not exceed 30% of the Fund's Net Assets as of 31 December 2022 and 31 December 2021.

Notes to the financial statements for the year ended 31 December 2022 cont/d...

13. Taxation

Under current law and practice, the Fund is not liable to any Luxembourg income tax, municipal business tax or net wealth tax.

The Fund is, however, liable in Luxembourg to a subscription tax (taxe d'abonnement) at a rate of 0.05% per annum of its net assets, such tax being payable quarterly and calculated on the basis of the total net assets of the Fund at the end of the relevant quarter. Where a class of Shares only includes institutional investors, as defined in the applicable legislation, the Fund may benefit from a reduced tax rate of 0.01% per annum for such class of Shares. However, no guarantee can be given that the Fund will be able to benefit from such reduced tax rate. No stamp duty or other tax is levied on the assets of the Fund invested in other Luxembourg undertakings for collective investment. No stamp or other tax will be payable in Luxembourg on the issue of the Shares of the Fund. Under current law and practice, no other tax is payable in Luxembourg on realized or unrealized capital appreciation of the assets of the Fund.

14. Significant Events during the Financial Year

The Fund did not and does not have any direct exposure to Ukraine, Russia or Belarus. The Investment Manager continues to carefully monitor the evolving conditions for all indirect and unrelated exposures globally. The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may continue to impact on the Global Economy.

15. Events since the Financial Year End

There have been no significant events since the financial year end that require amendment to or disclose in the financial statements.

16. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 30 March 2023.

Directory

REGISTERED OFFICE

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Grand Duchy of Luxembourg

DIRECTORS OF THE FUND

Mr. Paul Fehre
Mr. Fenton Tom
Mr. Alex McKenna
Mr. John Alldis
Mr. Justin Egan (resigned on 1 November 2022)

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AIFM

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Operating from its branch offices in Milan, Italy

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Appendix I - Publication of Performance Data

Below is the historical performance data for each Share Class of the Fund:

Fund and Share Class	Return %	Return %
	31 December 2022	31 December 2021
Muzinich Firstlight Middle Market ELTIF SICAV, S.A.		
H	(9.70%)	5.59%
A	(10.11%)	5.14%
R	(10.23%)	5.08%
P	(10.54%)	4.63%

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Appendix II - Total Expense Ratio (TER)

The average Total Expense Ratio table shows the actual expenses incurred by the Fund during the reporting year, expressed as an annualised percentage of the average (“avg.”) net assets value (“NAV”) of the Fund for the corresponding year.

Fund and Share Class	Expense % of avg. NAV 31 December 2022	Expense % of avg. NAV 31 December 2021
Muzinich Firstlight Middle Market ELTIF SICAV, S.A.		
H	0.94%	0.99%
A	1.38%	1.43%
R	1.50%	1.50%
P	1.88%	1.93%

Muzinich Firstlight Middle Market ELTIF SICAV, S.A.

Appendix III - Remuneration Policy (Unaudited)

The total remuneration of the staff of the AIFM fully or partially involved in the activities of the AIF for the year ended 31 December 2022:

	EUR
Fixed remuneration	56,960
Variable remuneration	71,642
Carried interest	-
Number of recipients	16
Directors	2,878
Management Staff	125,723

The information provided above relates to Muzinich & Co. (Ireland) Limited, the Alternative Investment Fund Manager (the “AIFM” or “Manager”), and not to the Muzinich Firstlight Middle Market SICAV, S.A., the Alternative Investment Fund (the “AIF” or “Fund”). Muzinich & Co. (Ireland) Limited acts as the AIFM to the AIF. The disclosures herein are made in respect of the AIFM’s remuneration policy and how it applies to the AIF and to whom the portfolio and risk management activities have been delegated.

For the year ended 31 December 2022, the total remuneration paid to all staff by the AIFM during the year was EUR 22,634,311.

The total remuneration paid by the AIFM is the gross amount of all salaries, including employer social security contribution and amounts paid under service level agreements. The total remuneration for the AIFM includes amounts paid for work in the connection with the management of Muzinich Funds (UCITS) and other Funds managed by the AIFM. Muzinich & Co. (Ireland) Limited has a dual license.

The allocation of staff has been provided on the basis of the total remuneration of all staff (Directors versus Management staff) divided by the average number of Funds under management.

Management staff are members of staff of the AIFM whose actions have a material impact on the risk profile of the AIF.

Appendix IV - Securities Financing Transaction Regulations

Article 13 of Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse, and amending Regulation (EU) No 648/2012, requires UCITS investment companies to provide the following information on the use made of securities financing transactions and Total Return Swaps.

Information on Securities Financing Transactions and of Reuse ("SFTR") is not required as the Fund does not use any instruments falling into the scope of the European Regulation 2015/2365.

The statement of composition of the portfolio is available to the Shareholders, free of charge.

Appendix V - Sustainable Finance Disclosure (Unaudited)

Article 6

The Fund has been categorised as Article 6 financial products for the purposes of Regulation (EU) 2019/2088 (“SFDR”) (an “Article 6 Fund”):

For the purpose of Regulation EU/ 2020/852 (the “Taxonomy Regulation”), it should be noted that the investments underlying the Article 6 Fund do not take into account the EU criteria for environmentally sustainable economic activities.