

# RANGER

DIRECT LENDING<sup>1</sup>



## DECEMBER 2016

	Ordinary Share	C Share
Ticker	RDL	RDLC
Date Launched	1 May 2015	16 December 2016
ISIN	GB00BW4NPD65	GB00BYZKH015
Net Assets (Cum Income)	\$231,329,569	\$19,535,940
Net Assets (Ex Income)	\$223,754,759	\$19,556,054
Monthly NAV Return Before Loss Reserve	0.96%	-0.10%
Monthly Loss Reserve	-0.38%	0.00%
Monthly NAV Net Return	0.58%	-0.10%
Loan Loss Reserve Balance as % of NAV	-0.31%	0.00%
YTD NAV Return <sup>2</sup>	9.21%	-0.10%
Shares in Issue	14,848,650	1,611,041
Current Price Per Share <sup>3</sup>	\$13.02 / £10.55	\$12.03 / £9.75
Issue Price	\$15.43 / £10.04	\$12.36 / £10.00
NAV Per Share (Cum Income)	\$15.58 / £12.62	\$12.13 / £9.83
NAV Per Share (Ex Income)	\$15.07 / £12.21	\$12.14 / £9.84
Premium/(Discount) to NAV (Cum Income)	-16.44%	-0.78%

## FUND FACTS

Type of Fund	Closed End Fund
Listing	London Stock Exchange (Main Market – Premium Segment)
Dividend	Quarterly
NAV Calculation	As of last day of each month
Management Fee	1%
Performance Fee	10%

## SERVICE PROVIDERS

Investment Advisor	Ranger Alternative Management II, LP
Administrator	Sanne Fiduciary Services Limited
Corporate Broker	Liberum Capital Limited
Auditor	Deloitte LLP
Custodian	Merrill Lynch
Registrar	Capita Asset Services
Company Secretary	Capita Company Secretarial Services Limited

## BACKGROUND AND INVESTMENT OBJECTIVE

The investment objective of the Ranger Direct Lending Fund plc (the “Company”) is to generate attractive returns, principally in the form of quarterly income distributions, by acquiring a portfolio of debt obligations, including without limitation, loans, invoice receivables and asset financing arrangements (the “Debt Instruments”). Debt Instruments are generally originated or issued by direct lending platforms. A majority of the Debt Instruments in the portfolio are secured against assets and/or personal guarantees and have relatively short maturities (average 2 years).

Direct lending platforms are an increasing source of liquidity, in particular for small and medium sized enterprises and consumers. Opportunities are presenting themselves as banks continue to retreat from SME lending as a result of new regulatory requirements. Direct lending platforms will typically focus on a particular category of borrower and/or underlying industry asset class. By investing in Debt Instruments originated or issued by a number of different direct lending platforms, the Company seeks to reduce concentration and interest rate risk by constructing a diversified portfolio comprised of loans with differing industries, geographic areas and loan maturities.

## INVESTMENT HIGHLIGHTS

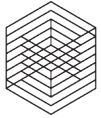
- Loan portfolio approximately 75% secured<sup>4</sup> and diversified across multiple platforms.
- 12%-13% targeted unlevered annual returns (after accrual for loan loss reserves or write-offs and gross of fees and expenses to the fund) with respect to portfolio investments within the fund.
- 10% targeted dividend on issue price when fully invested and leverage applied, payable quarterly.
- Sophisticated AI software has track record of enhancing returns with applicable investments.
- VC equity opportunities available for investment by the Company.

<sup>1</sup> Please refer to important disclosures on Page 4.

<sup>2</sup> As the fund is denominated in US dollars, all references to performance and balances are also in US dollars unless specifically noted otherwise.

<sup>3</sup> Share price as at 30 December 2016.

<sup>4</sup> A secured Debt Instrument is defined by the Company as a payment obligation in which property, revenue (including receivables), or a payment guaranty has been pledged, mortgaged or sold to the Company as partial or full security with respect to such obligation.



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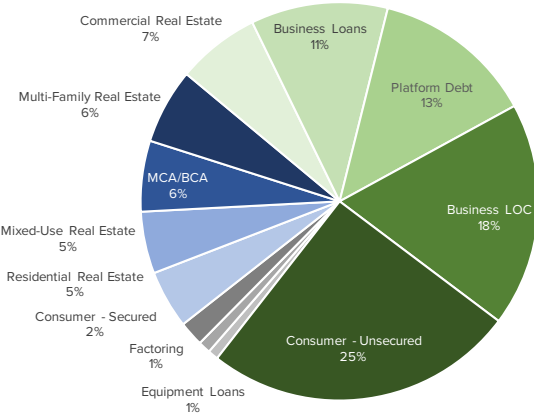


## FUND PERFORMANCE<sup>1</sup>

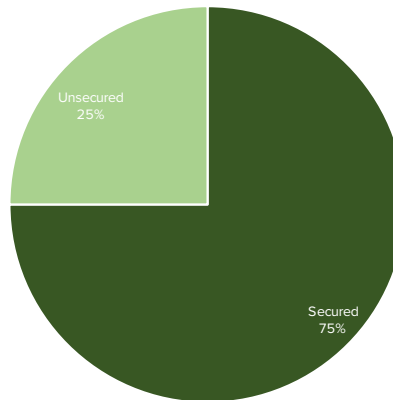
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
%NAV (Ordinary Share)	2015					-0.17%	0.26%	0.18%	0.25%	0.40%	0.52%	0.45%	0.53%	2.45%
	2016	0.48%	0.75%	0.77%	0.78%	0.82%	0.74%	0.79%	0.72%	0.75%	0.82%	0.83%	0.58%	9.21%
%NAV (C Share)	2016												-0.10% <sup>2</sup>	-0.10%
Share Price (Ordinary Share)	2015					4.30%	1.63%	-0.71%	0.05%	0.66%	-0.66%	-1.23%	-1.44%	2.50%
	2016	-6.15%	-0.31%	-2.50%	2.14%	2.62%	-1.02%	6.19%	3.69%	3.56%	5.97%	-3.50%	-6.72%	2.93%
Share Price (C Share)	2016												-2.50%	-2.50%
Dividend Per Share (Ordinary Share)	2015											8.36p		8.36p
	2016		14.62p			20.45p			26.87p			27.67p		89.61p

## PORTFOLIO COMPOSITION (EX CASH) AS AT 31 DECEMBER 2016

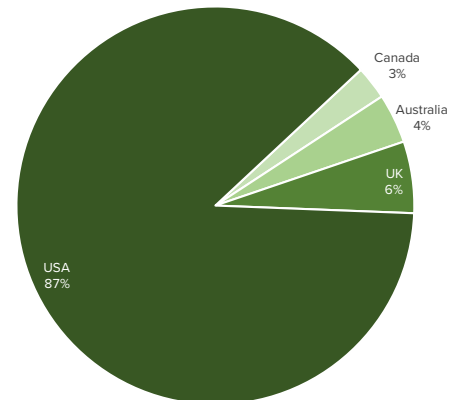
Investments by Lending Category



Secured<sup>3</sup> Versus Unsecured Loans



Geographic Breakdown



<sup>1</sup> Performance is presented cum income.

<sup>2</sup> The organization costs for starting the new share class exceeded the income accrued on the deployed assets.

<sup>3</sup> A secured Debt Instrument is defined by the Company as a payment obligation in which property, revenue (including receivables), or a payment guaranty has been pledged, mortgaged or sold to the Company as partial or full security with respect to such obligation.



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## MONTHLY COMMENTARY

The Ranger Direct Lending Fund plc (the “Company”) is pleased to announce the nineteenth consecutive month of positive returns through December 2016. In December, returns from investments were in line with expectations, but a slight increase in legal expenses and a one-time tax assessment relating to the Company’s ZDP offering lowered the NAV for the Company’s ordinary shares to 0.96%, and after applying a loss reserve of 0.38% netted a 0.58% appreciation. In December 2016, the Company’s loan investments outperformed Liberum AltFi Returns Index by 7 bps and overall in 2016, the Company delivered NAV total returns of 9.21%, well above comparable funds in the asset-back lending, direct lending and peer-to-peer lending space.

As noted in an announcement dated 13 December 2016, the Company raised in aggregate £16.1 million under the Open Offer and Initial Placing of C Shares (Ticker: RDLC). Admission to the London Stock Exchange occurred on 16 December 2016. As at 31 December 2016, the Company had deployed approximately 40% of the C Share capital and anticipates full deployment in February 2017 and a conversion with ordinary shares based on the respective NAVs as at 28 February 2017.

In addition, the Company raised £23.8 million through a ZDP Shares Offering on 4 November 2016. The proceeds of the ZDP Shares were fully deployed by the end of December. This recent ZDP Offering along with the ZDP Offering completed on 1 August 2016 has increased the Company’s gearing to approximately 29% as at 31 December 2016. Additional information regarding the terms of the ZDP Shares is available from the Company upon request.

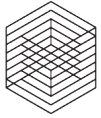
On 9 November 2016, the Company declared an interim dividend of 27.67 pence per ordinary share for the 3-month period to 30 September 2016 that was paid on 16 December 2016.

The Company is invested in debt instruments from 13 direct lending platforms within a diverse group of asset classes, including real estate loans, SME loans, invoice receivables, and equipment finance. The Company continues its geographic diversification by allocating capital to non-US lending platforms, which include investments in the UK, Australia and Canada, in amounts equal to approximately 13% of the portfolio as at 31 December 2016.

Further to the Company’s announcement on 22 December 2016 regarding the bankruptcy proceedings in respect Argon Credit, LLC and Argon X, LLC (together, “Argon”), and as announced on 20 January 2017, the Company has been informed by the SME Credit Line Platform that its group has taken control of collateral under the purview of the Bankruptcy Court, and initiated primary servicing. The collateral which is currently under their control includes underlying loans and associated receivables pledged to the SME Credit Line Platform pursuant to the credit facility between SME Credit Line Platform and Argon. Further proceedings are continuing in respect of the SME Credit Line Platform’s claim that Argon has, in breach of the terms of its agreements with the SME Credit Line Platform, assigned a portion of the underlying collateral to an unapproved special purpose vehicle.

The Board and the Investment Manager of the Company will continue to monitor the impact of the Argon bankruptcy filing on the Company’s investment through the SME Credit Line Platform. Further announcements will be made in due course where there are any relevant updates for shareholders.

Upon the commencement of each investment, the Company may assign a loss reserve that will be accrued over the term of such investment, or pool of investments, for the purpose of offsetting potential future write-offs that may be realised with respect to such investment. In December, the year-end reserve was adjusted in order to conservatively accommodate the wind-down of two smaller portfolios. On the first page of this report, the Monthly and Cumulative Loss Reserve reflects the total of such accruals. With the portfolio maturing and anticipated write-offs being realised, the Investment Manager continues to actively manage the reserves.



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## IMPORTANT DISCLOSURES

This newsletter is published in the United Kingdom by Ranger Direct Lending Fund plc (the “Company”). It is provided for the purpose of information only, and if you are unsure of the suitability of this investment you should take independent advice. Net Asset Value (NAV) performance is not linked to share price performance and shareholders may realise returns that are lower or higher in performance.

Past performance should not be seen as an indication of future performance. The value of investments and any income may fluctuate and investors may not get back the full amount invested. The views expressed are those of the Company’s investment manager, Ranger Alternative Management II, LP as at the time of writing. These are subject to change without notice and do not constitute investment advice. Although the Company and Ranger Alternative Management II, LP have used reasonable efforts to ensure the accuracy of the information contained in this newsletter, neither the Company nor Ranger Alternative Management II, LP make any warranties or representations with respect to the completeness or accuracy of the information set forth herein. Examples of investment process, risk management, due diligence, position sizes, diversification, leverage, assessment of risk and similar information (together, the “Investment Programme”) are presented as general guidelines used for illustration purposes only and are subject to change without notice to investors at any time at the sole discretion of the Ranger Alternative Management II, LP. In addition, the composition and size of, and risks associated with, current or future investments of the Company may differ substantially from examples set forth in this newsletter. Accordingly, actual implementation of the Investment Programme may vary from the examples presented herein.

All data in this newsletter is at or to the final day of the calendar month identified in the heading of the newsletter’s front page unless otherwise stated.

The Liberum AltFi Returns Index (LARI) calculations are based on aggregated data from the four largest UK lending platforms by origination volume. For the month ending 31 December 2016, the UK platforms included in the LARI are Zopa, Funding Circle, RateSetter and MarketInvoice. Additional information regarding the LARI may be obtained by accessing [www.altfi.com/data/indices/returns](http://www.altfi.com/data/indices/returns). The Liberum AltFi index is a statistical reference presented for comparison purposes only and has not been adopted by the investment adviser as the standard point of reference for measuring performance of the Ranger Direct Lending Fund. UK platform results were adversely impacted by the UK vote to leave the European Union (Brexit). Results of the U.S. dollar denominated Ranger Direct Lending Fund benefited from such events.

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### **Ranger Direct Lending Fund plc**

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