

# RANGER

DIRECT LENDING<sup>1</sup>



## MAY 2017

Net Assets (Cum Income)	\$245,782,143
Net Assets (Ex Income)	\$237,788,165
Monthly NAV Return Before Loss Reserve	0.94%
Monthly Loss Reserve	-0.36%
Monthly NAV Net Return	0.58%
Loan Loss Reserve Balance as % of NAV	-0.53%
YTD NAV Return <sup>2</sup>	3.49%
Shares in Issue	16,122,931
Current Price Per Share <sup>3</sup>	\$11.06 / £8.58
Issue Price	\$15.42 / £10.02
NAV Per Share (Cum Income)	\$15.24 / £11.83
NAV Per Share (Ex Income)	\$14.75 / £11.44
Premium/(Discount) to NAV (Cum Income)	-27.47%

## 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%
ISIN	GB00BW4NPD65

## 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

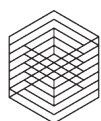
- Loan portfolio approximately 77% secured<sup>4</sup> and diversified across multiple platforms.
- 12%-13% targeted unlevered annual returns (after accrual for loan loss reserves or write-offs and gross of fees and expenses to the fund) with respect to portfolio investments within the fund.
- 10% targeted dividend on issue price when fully invested and leverage applied, payable quarterly.
- AI software used in the selection of 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 31 May 2017.

<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. However, investors are cautioned that the term “secured” does not imply that a debt instrument is not potentially subject to default or loss of principal; and the value of applicable collateral may either fluctuate, depreciate, or otherwise fail to provide the protection anticipated at the time of investment.



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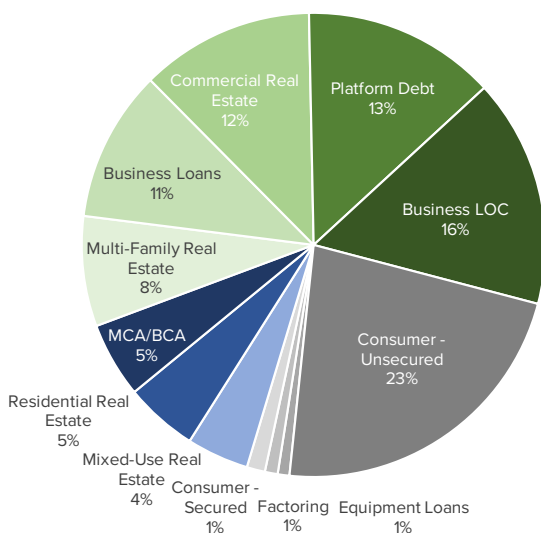


## FUND PERFORMANCE<sup>1</sup>

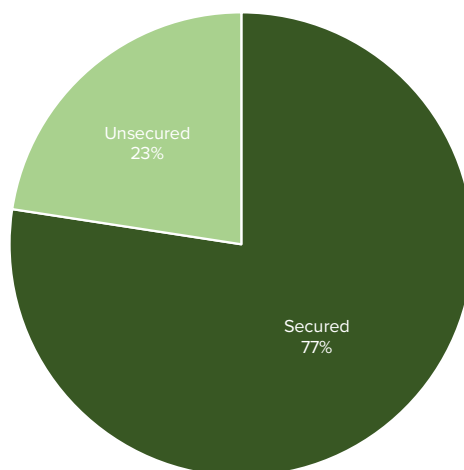
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
%NAV (Ordinary Share)	2015					-0.17%	0.26%	0.18%	0.25%	0.40%	0.52%	0.45%	0.53%	2.45%
	2016	0.48%	0.75%	0.77%	0.78%	0.82%	0.74%	0.79%	0.72%	0.75%	0.82%	0.83%	-2.80%	5.54%
	2017	0.87%	0.66%	0.74%	0.60%	0.58%								3.49%
Share Price (Ordinary Share)	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%
	2017	-0.19%	1.61%	3.27%	-17.90%	-5.46%								-18.70%
Dividend Per Share (Ordinary Share)	2015											8.36p		8.36p
	2016		14.62p			20.45p			26.87p			27.67p		89.61p
	2017		28.51p				26.93p							55.44p

## PORTFOLIO COMPOSITION (EX CASH) AS AT 31 MAY 2017

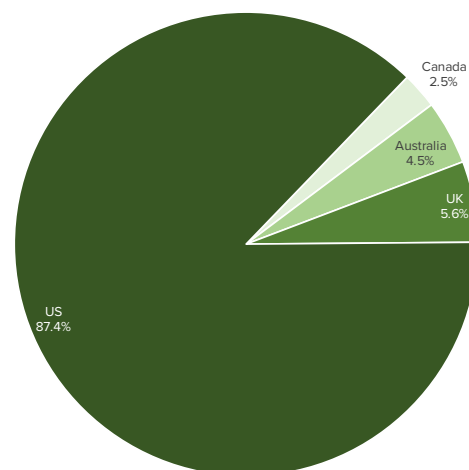
*Investments by Lending Category*



*Secured<sup>2</sup> Versus Unsecured Loans*

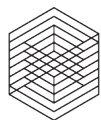


*Geographic Breakdown*



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

<sup>2</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. However, investors are cautioned that the term "secured" does not imply that a debt instrument is not potentially subject to default or loss of principal; and the value of applicable collateral may either fluctuate, depreciate, or otherwise fail to provide the protection anticipated at the time of investment.



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## MONTHLY COMMENTARY

The Ranger Direct Lending Fund plc (the “Company”) announces that in May 2017, the NAV for the Company’s ordinary shares appreciated by 0.94%, and after applying a loss reserve of 0.36% netted a 0.58% appreciation. Returns were comparable to last month due to a similar combination of factors that affected April returns.

On 16 June 2017, the Company declared an interim dividend of 26.93 pence per ordinary share for the 3-month period to 31 March 2017 to be paid on 28 July 2017. This dividend is in respect of income and interest received from the portfolio in the first quarter of 2017. In 2016, a total of 89.61 pence per share was paid in dividends to Ordinary shareholders.

Due to the decrease in AUM following the Princeton impairment, the Company’s gearing has increased to approximately 29% as at 31 May 2017. As noted in an announcement on 15 June 2017, the Board has instructed the Company not to exercise its borrowing powers as set out in the borrowing policy to incur any senior borrowings through the provision of credit facilities by financial institutions over the next twelve months, so as not to incur any debt that has preference over the existing zero dividend preference shares.

Additionally the Board has resolved, having regard to the Company’s current exposure to Princeton and to the performance of the portfolio as a whole, that the Company should seek to realign the Company’s portfolio with the aim of increasing the diversification of the portfolio as and when existing Debt Instruments mature.

Accordingly, the Company intends to target the following investment thresholds within the investment restrictions set out in the Company’s investment policy, in each case at the time of investment by the Company:

- as existing investments mature over the next two years, the Investment Manager will seek to reduce the percentage of the portfolio that is attributable to Debt Instruments that are not secured (directly or indirectly) by assets and/or personal guarantees (i.e. Debt Instruments that are exposed to unsecured consumer lending) with a target that such investments do not represent more than 15 per cent. of Gross Assets by the end of that period; and
- as existing investments mature over the next 18 months the Investment Manager will target a portfolio allocation whereby aggregate investments in Debt Instruments originated through or issued by any single Direct Lending Platform do not exceed 15 per cent. of Gross Assets, but in any event, the Investment Manager intends that such investments in Debt Instruments originated through or issued by any single Direct Lending Platform shall not exceed 20 per cent. of Gross Assets.

The Board believes that by phasing in such restrictions over a two-year period as existing Debt Instruments mature, the Company’s portfolio should realign organically and remain consistent with the Company’s investment objective and policy.

The Company has also been informed by Ranger Alternative Management II LP (the “Investment Manager”) that it has utilised part of its management fee to acquire ordinary shares in the market in order to demonstrate its confidence in the Company’s investment strategy. Further announcements, as required by applicable regulation in respect of such purchases, will be made in due course.

The Company is invested in debt instruments from multiple direct lending platforms within a diverse group of asset classes, including but not limited to real estate loans, SME loans, invoice receivables, and equipment finance<sup>1</sup>. 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 May 2017.

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. 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.

### Princeton Update

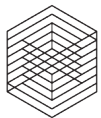
As explained in the Company’s prospectuses, Princeton is incorporated in the British Virgin Islands and invests in a Delaware master fund (the “Princeton Master Fund”) which is a party to the underlying lines of credit.

Ranger Alternative Management II, LP (the “Investment Manager”), the Ranger Specialty Income Fund, LP and the Company (collectively called “Ranger”) have initiated arbitration proceedings (the “Proceedings”) with JAMS (a dispute resolution provider) against the Princeton Master Fund and its general partner Princeton Alternative Funding, LLC (the “General Partner”).

The purpose of the Proceedings is to seek to enforce Ranger’s rights against the Princeton Master Fund and the General Partner. Among other claims, Ranger seeks to enforce rights concerning redemption and the provision of financial information. Ranger’s costs (including legal fees) of the Proceedings will be advanced by both the Company and the Ranger Specialty Income Fund, LP pro rata to their respective exposures to the Princeton investments. The terms of the Princeton Master Fund partnership agreement provide that the Arbitrator “will award” all fees and costs (including legal fees) to the prevailing party against the party who does not prevail.

<sup>1</sup>As of May 31, 2017, debt instruments secured by real estate represented approximately 29% of the Company’s investment portfolio.





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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.

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

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Registered as an investment company in England under section 833 of the Companies Act 2006.

Registered Number 09510201