

1 May 2018

RANGER DIRECT LENDING FUND PLC ("RDL" or "Company")

Management Review Update - Replacement

Background

The Company announced on 29th January 2018 that RDL's investment management arrangements were under review.

Twenty investment management firms engaged in the process and a shortlist of six met with the Board in March and April.

The criteria applied to selection, *inter alia*, were:

- a desire to produce for shareholders a dividend yield well in excess of the dividend yield on UK equities;
- a desire to produce a stable return for shareholders from a well underwritten, well constructed diversified portfolio;
- an investment manager with significant depth in investment management in the targeted investment area, but also well supported with strong administrative and technology functions;
- evidence of a strong pipeline of credit opportunities which matched the proposed investment policy and returns targets and which were sustainable going forward;
- designated fund managers to work for RDL with experience and track record, well resourced by a strong supporting team; and
- an investment management firm with a culture of customer service.

In the view of the Directors the proposal made by Ares Management LLC ("Ares") was the strongest.

Ares' Proposition

Under Ares' proposal, the Company's investments for the future will consist primarily of private, asset-backed loans sourced and structured by Ares. The assets securing each such loan are generally held in a special purpose entity in order to achieve legal and economic separation from the credit risk of the specialty finance company that originated each pool of

assets. Typically, the specialty finance company that originated the asset portfolio will be required to contribute an amount of capital, in the form of equity, to the special purpose entity. This capital serves as first-loss protection against losses in the asset portfolio securing each loan. In addition to other credit enhancements, this first-loss cushion reduces the potential for volatility in investment returns. In this manner, the Ares strategy is intended to stabilise both the income and the NAV performance of the Company.

Ares is currently underwriting asset-backed loan transactions on behalf of a number of large institutional clients. It is expected that the Company will invest in every eligible transaction alongside Ares' other clients with similar mandates, thereby potentially participating in much larger transactions than the Company could on its own. Ares believes that the market opportunity is such that, once stabilized, the investments give the potential for RDL to produce a high, single-digit dividend yield to investors.

The portfolio would continue to have a significant majority of its assets in US\$ denominated and US based loans, but there would also be some exposure to Canadian and Eurozone loans.

Keith Ashton and Jeffrey Kramer, each a Partner and Co-Head of Structured Credit, would serve as the designated portfolio managers for RDL. Messrs. Ashton and Kramer together with Greg Margolies, Partner and Head of Markets, and David Sachs, Partner, Strategy and Relationship Management, comprise the members of the investment committee for the structured credit strategies (collectively the "**Investment Committee**"), which averages approximately 29 years of investment experience. Supporting the Investment Committee are over 20 dedicated structured credit investment professionals (collectively, with the Investment Committee, the "Ares Global Structured Credit Team"), who together with the Investment Committee average over 15 years of investment experience. The Ares Global Structured Credit Team will further benefit from the sourcing channels and relationships of the approximately 400 investment professionals at Ares.

The Ares Global Structured Credit Team is a prominent and established asset-backed investor across a platform of diverse mandates with approximately \$5.8 billion in assets under management (1). The capital is invested across multiple actively-managed strategies for a global investor base that spans institutional investors including pension funds, insurance companies and sovereign wealth funds.

The Ares Global Structured Credit platform is part of the Ares Credit Group, which manages approximately \$71.7 billion in global assets under management as of December 31, 2017 (2). The Ares Credit Group has approximately 235 investment professionals with investments in approximately 1,450 companies across approximately 140 funds (3).

Ares Management, L.P. is a publicly traded, leading global alternative asset manager with approximately \$106.4 billion of assets under management as of December 31, 2017 and 18 offices in the United States, Europe, Asia and Australia. Since its inception in 1997, Ares has

adhered to a disciplined investment philosophy that focuses on delivering strong risk-adjusted investment returns throughout market cycles. Ares believes each of its three distinct but complementary investment groups in Credit, Private Equity and Real Estate is a market leader based on assets under management and investment performance. Ares was built upon the fundamental principle that each group benefits from being part of the greater whole. For more information, visit www.aresmgmt.com.

Ranger Alternative Management

Given the current status of the management review process, the Company will today (1st May 2018) give notice to Ranger Alternative Management II, LP (the existing manager of RDL) ("Ranger") under the terms of the agreement dated 10th April 2015 such that with effect from 1st May 2018 Ranger's investment management contract will have 12 months to run.

Next steps

Already shareholders accounting for over 39 per cent of the Company's ordinary share capital have indicated that they are supportive of Ares being appointed as the Company's Investment Manager.

The Board is now conducting a wider shareholder consultation process to allow for broader consensus to be built around the future of the Company. The Board will continue to work with its appointed advisers in seeking an appropriate transition process, which in all cases would be conditional on shareholder approval as described below. Ares' appointment as the Company's investment manager will also be subject to Ares' satisfaction of ongoing due diligence.

As soon as possible hereafter a circular will be despatched to shareholders setting out the details of the proposed management arrangements and investment policy and calling a general meeting of RDL to vote on these matters. The vote can be passed on a simple majority of shares voted.

This announcement contains inside information.

Notes:

- (1) As of December 31, 2017. AUM reflects USD amount. Includes ~\$4.9 billion invested across dedicated structured credit funds and ~\$0.9 billion invested across other strategies.
- (2) As of December 31, 2017, AUM amounts include funds managed by Ivy Hill Asset Management, L.P., a wholly owned portfolio company of Ares Capital Corporation and a registered investment adviser.
- (3) As of December 31, 2017.

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IMPORTANT INFORMATION

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