

# RANGER

DIRECT LENDING<sup>1</sup>



## AUGUST 2018

Net Assets (Cum Income)	\$205,486,944
Net Assets (Ex Income)	\$206,271,665
Monthly NAV Return Before Loss Reserve	0.29%
Monthly Loss Reserve	-0.16%
Monthly NAV Net Return	0.13%
Loan Loss Reserve Balance as % of NAV	-7.14%
YTD NAV Return <sup>2</sup>	-0.36%
Shares in Issue	16,122,931
Current Price Per Share <sup>3</sup>	\$10.06 / £7.76
Issue Price	\$15.42 / £10.02
NAV Per Share (Cum Income)	\$12.75 / £9.83
NAV Per Share (Ex Income)	\$12.79 / £9.87
Premium/(Discount) to NAV (Cum Income)	-21.10%

## 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	Link Asset Services
Company Secretary	Link Company Matters 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. Notwithstanding the above, the Board of Directors has instructed the Investment Manager to cease making new investments and to liquidate the portfolio in an orderly and timely manner with a view to maximising returns to shareholders.

## INVESTMENT HIGHLIGHTS

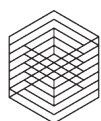
- Loan portfolio approximately 90% secured and diversified across multiple platforms<sup>4</sup>.
- 12%-13% targeted unlevered annual returns (after accrual for loan loss reserves or write-offs and gross of fees and expenses to the fund) with respect to portfolio investments within the fund.
- 7%-10% targeted dividend on issue price, 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 5.

<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 August 2018.

<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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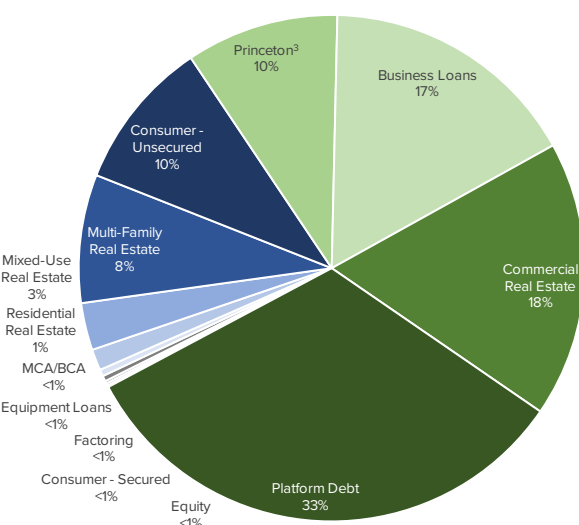


### FUND PERFORMANCE<sup>1</sup>

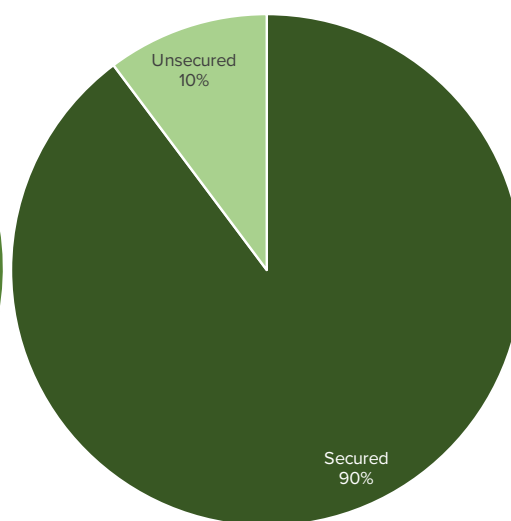
		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
%NAV (Ordinary Share)	2015					-0.17%	0.26%	0.18%	0.25%	0.40%	0.52%	0.45%	0.53%	2.45%
	2016	0.48%	0.75%	0.77%	0.78%	0.82%	0.74%	0.79%	0.72%	0.75%	0.82%	0.83%	-2.80%	5.54%
	2017	0.87%	0.66%	0.74%	0.60%	0.58%	0.54%	0.41%	0.42%	0.22%	-8.32%	0.20%	0.48%	-2.95%
	2018	0.43%	0.31%	0.01%	0.17%	-0.07%	-0.14%	-1.19%	0.13%					-0.36%
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%	-4.61%	-0.58%	-5.84%	4.96%	-4.23%	-5.91%	-0.76%	-31.85%
	2018	5.70%	-3.95%	-0.82%	10.64%	-0.87%	0.76%	-2.50%	0.51%					7.93%
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		24.62p			21.70p		101.76p
	2018			24.14p			19.79p			17.55p				61.48p

### PORTFOLIO COMPOSITION (EX CASH) AS AT 31 AUGUST 2018

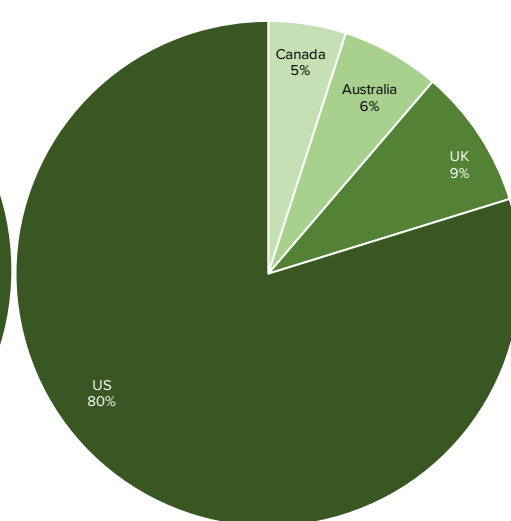
Investments by Lending Category



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



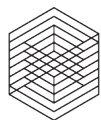
Geographic Breakdown



<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.

<sup>3</sup>Please reference the Monthly Commentary for additional information. Data as at 30 June 2018.



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## MONTHLY COMMENTARY

The Company announces that in August 2018, the NAV for the Company's ordinary shares appreciated by 0.13%<sup>1</sup>. Legal expenses for the month decreased returns by -29 bps, which included legal expenses for impaired real estate loans (-18 bps), Princeton legal expenses (-6 bps) and general legal expenses (-5 bps). As at 31 August 2018, the cash and net platform receivables were \$14.38M or approximately 7.0% of NAV.

The Board and the Investment Manager are continuing discussions with certain of the platforms through which the Company invests, as well as potential counterparties in connection with disposing of the Company's investments in an orderly manner.

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>2</sup>. The Company has continued its geographic diversification by allocating capital to non-US lending platforms, which include investments in the UK, Australia and Canada, in total equal to approximately 20% of the outstanding principal of the portfolio as at 31 August 2018. Nevertheless, the Company has recently suspended all new investments except for two existing platforms where the Company is the sole capital provider.

### Princeton Update

As previously announced by the Company, pursuant to the Chapter 11 bankruptcy filing by the Princeton Alternative Income Fund ("Princeton") and its manager Princeton Alternative Funding, the Company is currently in process of forming a reorganisation plan for submission to the bankruptcy court.

Pursuant to such reorganisation plan, the Company is entitled to receive information relating to Princeton Alternative Funding's assets under management (including the assets held by Princeton). The Company has received certain, albeit limited, information regarding the assets of Princeton pursuant to this process.

Although the Company does not yet have sufficient information to form an opinion on the value of such underlying assets, it does believe that based on the information available: (i) there is a possibility that the values asserted by Princeton may be incorrectly estimated and overstated, and (ii) the implementation of a protective impairment in the value of its investment is warranted.

The Company will continue to work on determining the amount of the protective impairment to its net asset value as it further evaluates the information at its disposal and any additional information received pursuant to the Chapter 11 proceedings. A further announcement will be issued by the Company as soon as the final amount of the impairment is set.

### ZDP Update

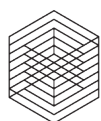
The Company's Half Yearly Financial Report Announcement dated 24 September 2018 explained that the Company has commenced a process of the orderly realisation of assets and anticipates being in a position to commence capital returns to holders of Ordinary Shares in the Company in the coming months. In addition, the Company has commenced discussions with holders of the zero dividend preference shares (the "ZDP Shares") issued by the Company's subsidiary Ranger Direct Lending ZDP plc ("Ranger ZDP").

The rights of the holders of the ZDP Shares are set out in the articles of association of Ranger ZDP (the "Ranger ZDP Articles") and the obligations of the Company to Ranger ZDP in relation to the ZDP Shares are set out in a loan agreement (the "Loan Agreement") and an undertaking (the "Undertaking") between the Company and Ranger ZDP. Subject to what is set out below in relation to page 16 of the prospectus published by Ranger ZDP dated 26 July 2016 (the "ZDP Prospectus"), those documents do not provide a mechanism specifically designed to implement a winding down of the Company and Ranger ZDP prior to 31 July 2021 (the "ZDP Repayment Date"), which is the date on which the holders of the ZDP shares would be entitled to be paid the Final Capital Entitlement (as defined in the Ranger ZDP Articles).

The ZDP Prospectus stated (on page 17) that the different rights and expectations of the holders of Ordinary Shares in the Company and the holders of ZDP Shares may give rise to conflicts of interest between them. The directors of the Company intend to act in a manner which they consider to be fair and equitable having regard to the entitlements of the shareholders of the Company, the Company's obligations to Ranger ZDP and the entitlements of the holders of ZDP Shares under the Ranger ZDP Articles.

It was also stated, on page 16 of ZDP Prospectus, that if the Company is wound up prior to the ZDP Repayment Date, including where a Continuation Vote is not approved by holders of ZDP shares following a breach by the Company of the Loan Agreement or the Undertaking, holders of the ZDP shares will only be entitled to receive their accrued capital entitlement to the date of the resulting winding up of Ranger ZDP.





## MONTHLY COMMENTARY CONTINUED

Ranger ZDP is a Company to which the UK City Code on Takeovers and Mergers (the “City Code”) applies. However, only the ordinary shares in Ranger ZDP (all of which are owned by the Company) are securities carrying voting rights for the purposes of the City Code. As a result, any acquisition of or offer for ZDP Shares would not be subject to the City Code.

Subject to sufficient cash being available to the Company as a result of progress in the realisation of the Company’s assets, the Company will seek to agree with holders of ZDP Shares a price at which their ZDP Shares can be retired (which is expected to be conducted by way of the acquisition of ZDP Shares by the Company). At this stage, the Company has indicated to holders of ZDP Shares a willingness to pay amounts of between 112.5p and 113.5p per ZDP Share. The dialogue with holders of ZDP Shares and any acquisitions of ZDP Shares by the Company may or may not lead to an offer being made by the Company to acquire all of the ZDP Shares.

The Company would expect to exercise the voting rights of any ZDP Shares acquired by it to vote against any Continuation Resolution (as defined in the Ranger ZDP Articles) if a vote on such a resolution is triggered under the terms of the Loan Agreement or the Undertaking in the context of the winding down of the Company.

On 4 October 2018, the Company announced that it purchased 5,738,000 of the zero dividend preference shares (“ZDP Shares”) issued by its subsidiary Ranger Direct Lending ZDP plc (representing approximately 10.83% of the total outstanding ZDP Shares) at a price of 113.5 pence per ZDP Share.

On 10 October 2018, the Company announced that it purchased an additional 901,050 zero dividend preference shares (“ZDP Shares”) issued by its subsidiary Ranger Direct Lending ZDP plc (representing approximately 1.70% of the total outstanding ZDP Shares) at a price of 113.5 pence per ZDP Share. As a result, the Company now holds a total of 6,639,050 ZDP shares (representing approximately 12.53% of the total outstanding ZDP Shares).

### ZDP Update (as at 31 August 2018)

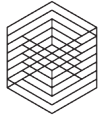
Ticker	RDLZ
Shares in Issue	53,000,000
Accrued Capital Entitlement	£1.10
Share Price	£1.12
August 2018 Cum-Income NAV	£158.6
Estimated ZDP Liability 31 August 2018	£58.3

	Including Princeton (\$m)	Excluding Princeton (\$m)
August 2018	£216.9	£194.9
ZDP Redemption <sup>3</sup>	£67.6	£67.6
Estimated ZDP Cover	3.2x	2.9x

<sup>1</sup>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.

<sup>2</sup>As at 31 August 2018, debt instruments secured by real estate represented approximately 30% of the Company’s investment portfolio.

<sup>3</sup>The ZDP redemption is not a guaranteed repayment amount.



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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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