What is Private Credit, and Why Middle Market Direct Lending?

October 2023

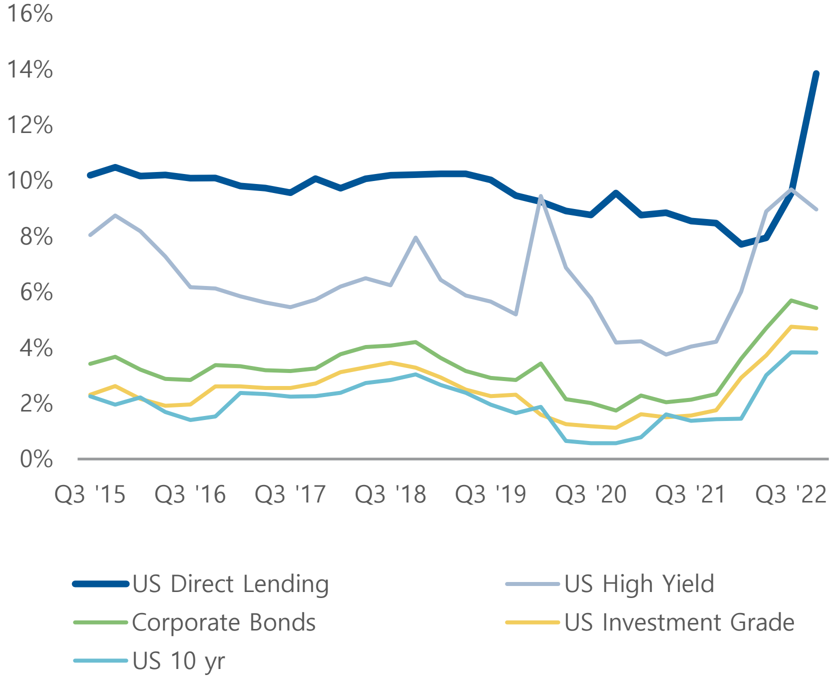
Private Credit

ANGELO GORDON

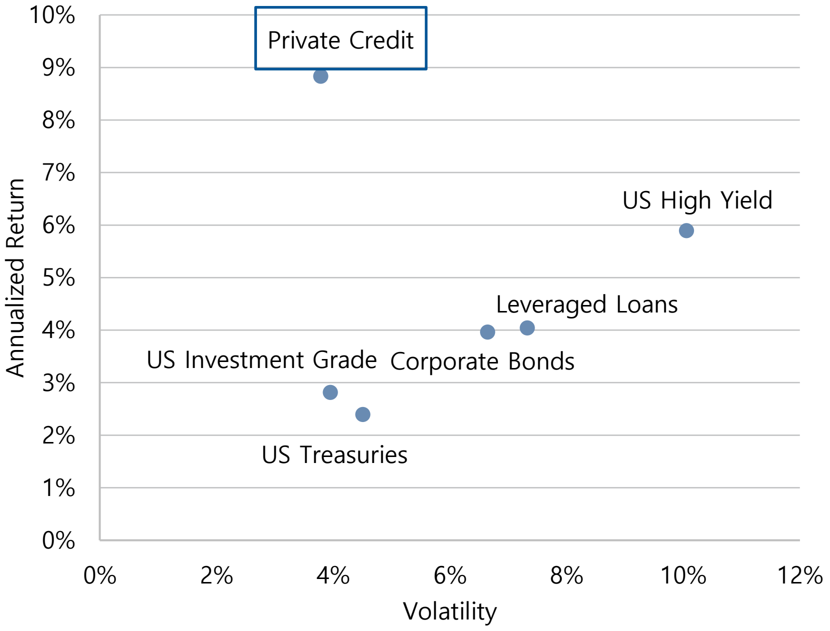
What is Private Credit?

Private credit seeks to deliver a contractual return from debt obligations of private companies. This market has expanded significantly over the past decade and may offer stable, attractive income irrespective of the broader market environment.

Historical Income by Asset Class

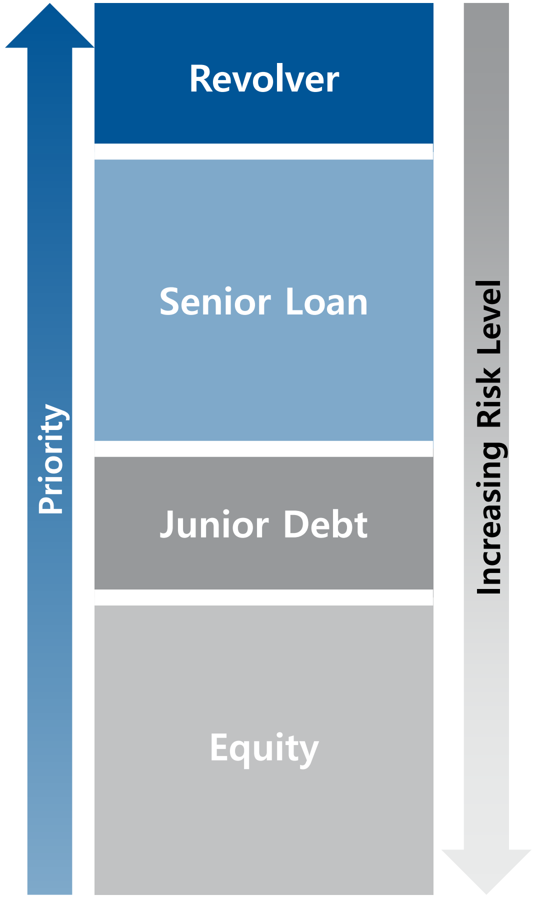


Risk-Return Profile (15 yrs)



Source: Bloomberg and Cliffwater. Bloomberg data as of December 31, 2022. Volatility is measured using standard deviation. All of the quarterly standard deviations are then annualized. In the case of DPPs, standard deviation of returns does not measure the risk of the overall investment. "Private Credit" is represented by the Cliffwater Direct Lending Index. "Leveraged Loans" represented by the Credit Suisse Leveraged Loan Index. "High Yield" is represented by the Bloomberg US Corporate High Yield Index. "Corporate Bonds" is represented by the Bloomberg US Corporate Bond Index. "Investment Grade" is represented by the Bloomberg US Aggregate Bond Index. "Treasuries" is represented by the Bloomberg US Treasuries Index.

Representative Capital Structure



Risk-Return Profile and the Capital Structure

- **What is a revolver?** A revolving line of credit is a working capital line, which the borrower can draw from to fund operations. Twin Brook's revolvers sit pari passu to the senior loan and secure the top position within the capital structure.

- **What are the benefits of providing a revolver?** Providing a revolver helps the lender gain better access to the private equity sponsor and borrower. It also provides valuable insight into the daily borrowing activities and liquidity needs of our portfolio accounts and often permits us to identify potential challenges well in advance of covenant breaches or monthly financial reporting.

- **What is a senior loan?** A senior loan is a loan issued to a company that holds a legal claim to a borrower's assets and stock over all other debt obligations. In the event of a liquidation or bankruptcy, a first lien senior secured lender will first be repaid in full, to the extent funds are available, before all other creditors and equity holders.[1]

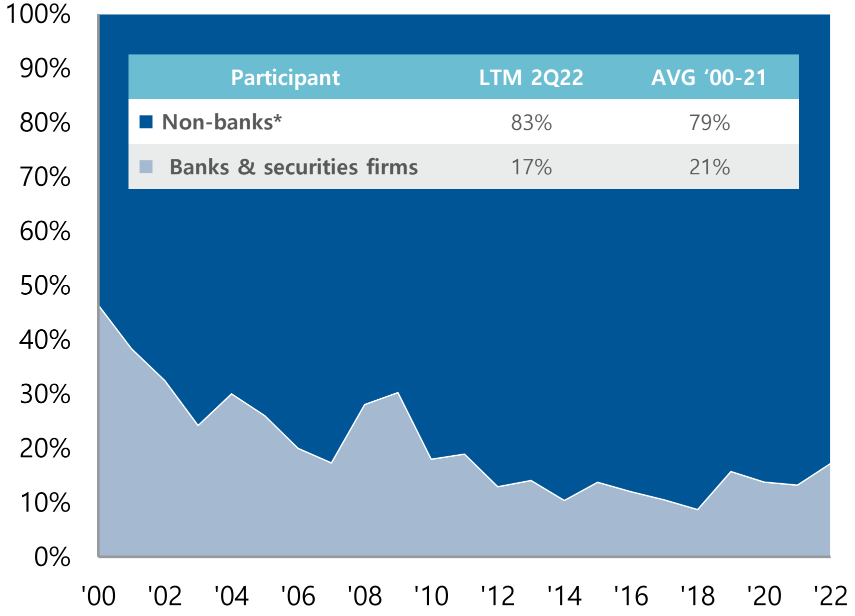
- **What is a junior loan?** Junior debt refers to loans issued with a lower priority for repayment than other, more senior debt claims in the case of default. Because of this, junior debt tends to be riskier for investors, it thus carries higher interest rates, and therefore, potentially a higher return than more senior debt from the same issuer. All debt sits above Equity in the capital stack and is therefore deemed less risky.

Note: Certain statements contained herein reflect the subjective views and opinion of Angelo Gordon which may not be able to be independently verified and are subject to change. Reflects Angelo Gordon's views and beliefs. There can be no assurance the fund will meet the above stated objectives or that losses will be avoided. Leverage escalates the risk of the investment, increases volatility, and increases the fees and expenses of the Fund. Based on current market conditions and subject to change without notice. Not indicative of future portfolio composition.
(1) This does not guarantee you will not experience a loss of principal.

Direct Lending: Positioned for Continued Growth

Demand for capital from private equity sponsors continues to grow as banks retreat from middle market lending. Investors continue to commit capital to private equity firms, resulting in record dry powder.[1] In addition, borrowers are increasingly turning to the private market for financing.[2]

Bank vs. Non-Bank Lenders[2]



Participant	LTM 2Q22	AVG '00-21
Non-banks*	83%	79%
Banks & securities firms	17%	21%

Benefits of Private Market Financing for Corporate Borrowers

- **Speed of Execution:** potentially faster than bank or syndicated market, given its easier to manage a smaller group of lenders.
- **Certainty of Execution:** Given relationship and trust built with lender with less concern for market volatility, given there is no secondary market and direct lenders tend to hold loans to maturity
- **Privacy:** direct lending market is private and more confidential
- **Ongoing Benefits:** relationship-focused, smaller group of lenders who originally wrote the deal is beneficial for add-ons and in stressed scenarios

(1) S&P LCD, Cliffwater, JPMorgan Asset Management as of June 30, 2022. US leveraged loan market participants data as of March 31, 2022. The indices used are not a full representation of the direct lending market. *Non-banks included institutional investors and finance companies. Participant data excludes left and right agents. Percentages may not sum to 100 due to rounding. Direct Lending industry composition is based on the Cliffwater Direct Lending Index
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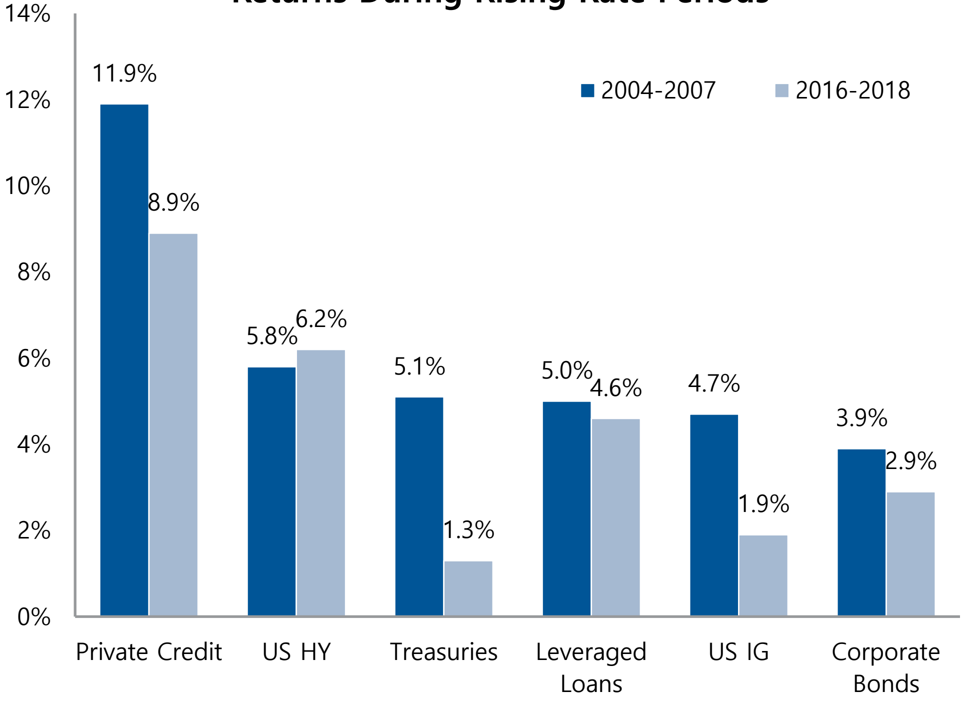
Private Credit: Resilient in Rising Rate Environments

Compared to public markets, direct lending as an asset class has historically offered positive returns in rising rate environments.

- **Floating Rate Coupons:** These may be attractive in a rising rate environment, as income can rise with rates and inflation.
- **Structural Protections[1]:** Loans are directly negotiated between the lender and borrower and typically include risk mitigation mechanisms. Generally, loans are first lien and have greater structural protections compared to unsecured or high yield bonds.
- **Large Investable Universe[2]:** The middle market is a large universe. Lenders implement extensive due diligence processes and can be picky about the loans they pursue in their chosen market.

Returns During Rising Rate Periods[3]

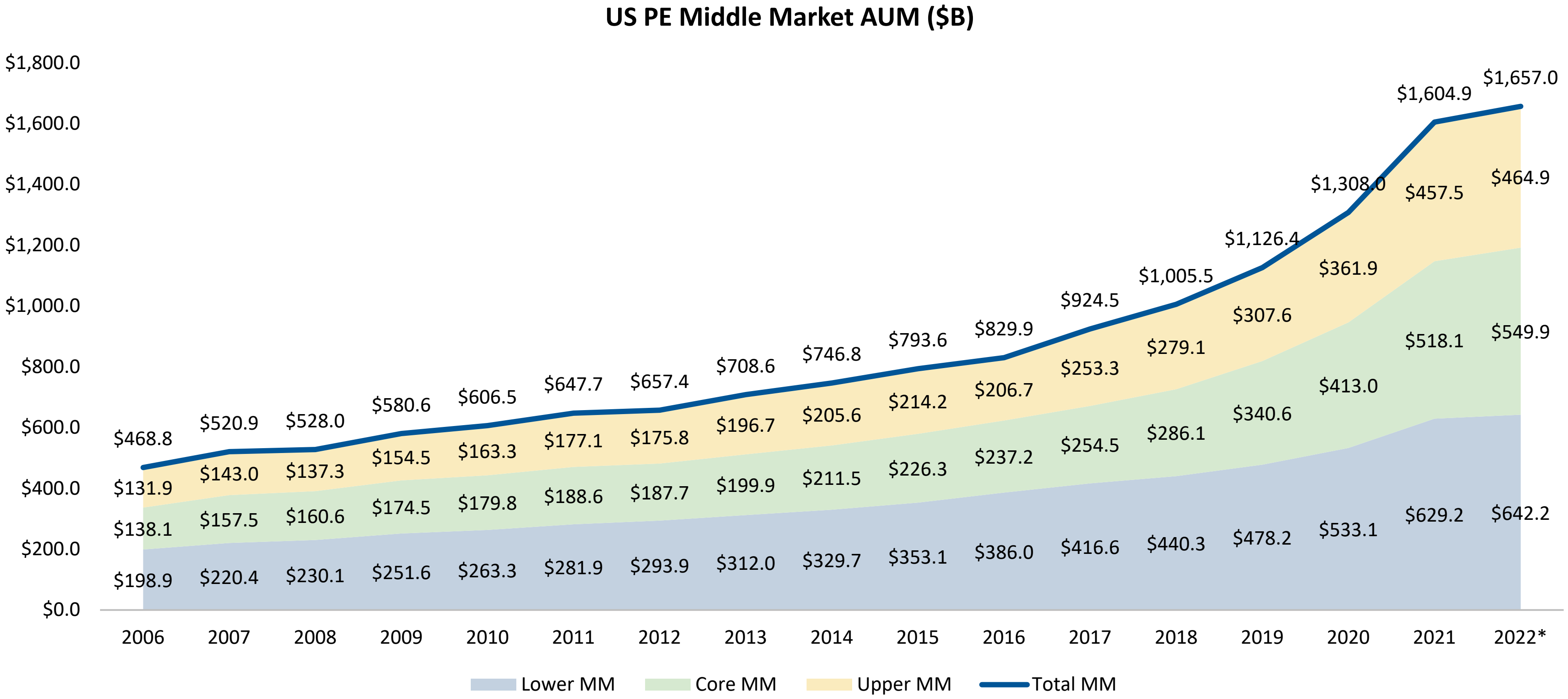


(1) Some of the fund's debt investments may not be covered by covenants. A covenant breach or other default may adversely affect operating results. The debt of certain companies can become distressed or go bankrupt. Price stability does not indicate low volatility or stability in the true value of the underlying assets. Price and value may differ. Assets will fluctuate and may be worth less than the investors initially paid. (2) Sourcing middle market debt may be highly competitive. (3) **Past performance is not indicative of future results.** Periods shown are two periods of significant rate increases in the last 15 years. As of June 30, 2022. All data other than the Cliffwater Direct Lending Index is sourced from Bloomberg. US Direct Lending: Cliffwater Direct Lending Index, Leveraged Loans: CS Leveraged Loan Index, US High Yield: Bloomberg Barclays High Yield Index, Corporates: Bloomberg Barclays US Corporate Bond Index, US Investment Grade: Bloomberg Barclays US Aggregate Bond Index, Treasuries: Bloomberg Barclays US Treasury Index. For more information, please see additional disclosures at the back of this presentation.

Middle Market

Middle Market Size: Sponsored Lending

The U.S. Middle Market is comprised of nearly 200,000 companies. Private Equity Firms focused on this market control nearly $1.7 trillion of capital, meaning lenders who lend to private equity owned or "Sponsored" companies market, have a sizable opportunity set.

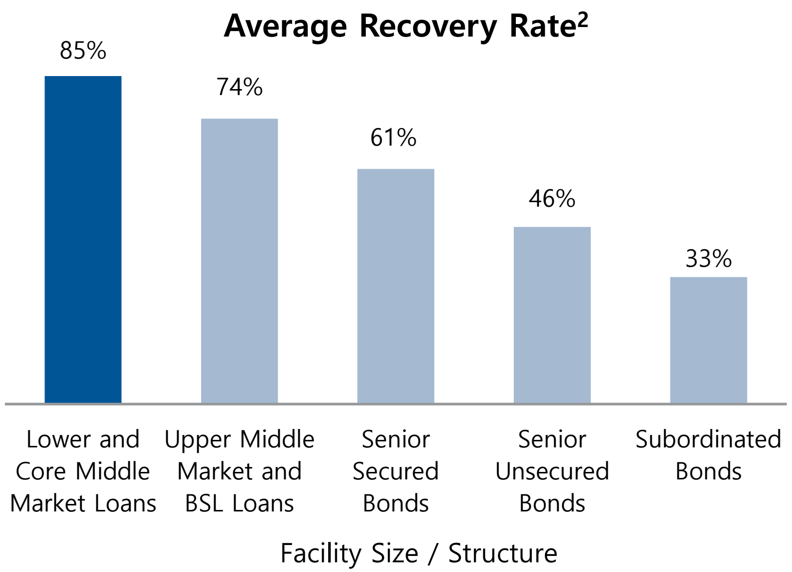


Source: Pitchbook. Lower Middle Market defined as $100MM-$1,000MM. Core Middle Market defined as $1,000MM+ to $2,500MM. Upper Middle Market Defined as $2,500MM+ to $5,000MM/

Differentiation Within the Middle Market

The LMM seeks to offer (1) moderate leverage, (2) financial covenants, (3) increased yield on assets, and (4) smaller lender groups, which have historically led to higher average recovery rates.

Market Segmentation*		Structural Considerations*		Improved Pricing*	Lending Group*
Type of Market	EBITDA Range ($MM)	Leverage	Financial Covenants	Increased Spread[1]	No. of Lenders
Broadly Syndicated Loans ("BSL")	>$75	High (>6x)	None	-	50 – 75
Upper MM	$40 – 50+	High (>6x)	None	0.25-0.50%	2 – 40
Core MM	$25 – $40	Moderate to High (4.5x-6.0x)	50/50	1.25-1.50%	1 – 8
Lower MM	<$25	Moderate (3.0x-4.5x)	Yes	1.75-2.50%	1 – 3



*Information reflects the Twin Brook team's subjective view and analysis of current market conditions and data. Such analysis cannot be independently verified. Actual pricing, structure, etc. may differ materially from the information presented herein. Refers to likelihood that deal terms, including but not limited to pricing spread and OID, and allocation may change during the time period from the announcement of a transaction to its pricing. Pricing varies depending on a number of variables such as size of issuer, rating, repeat issuer, leverage and industry sector. The pricing above is representative of current pricing in the market for senior transactions that also include a junior capital component.

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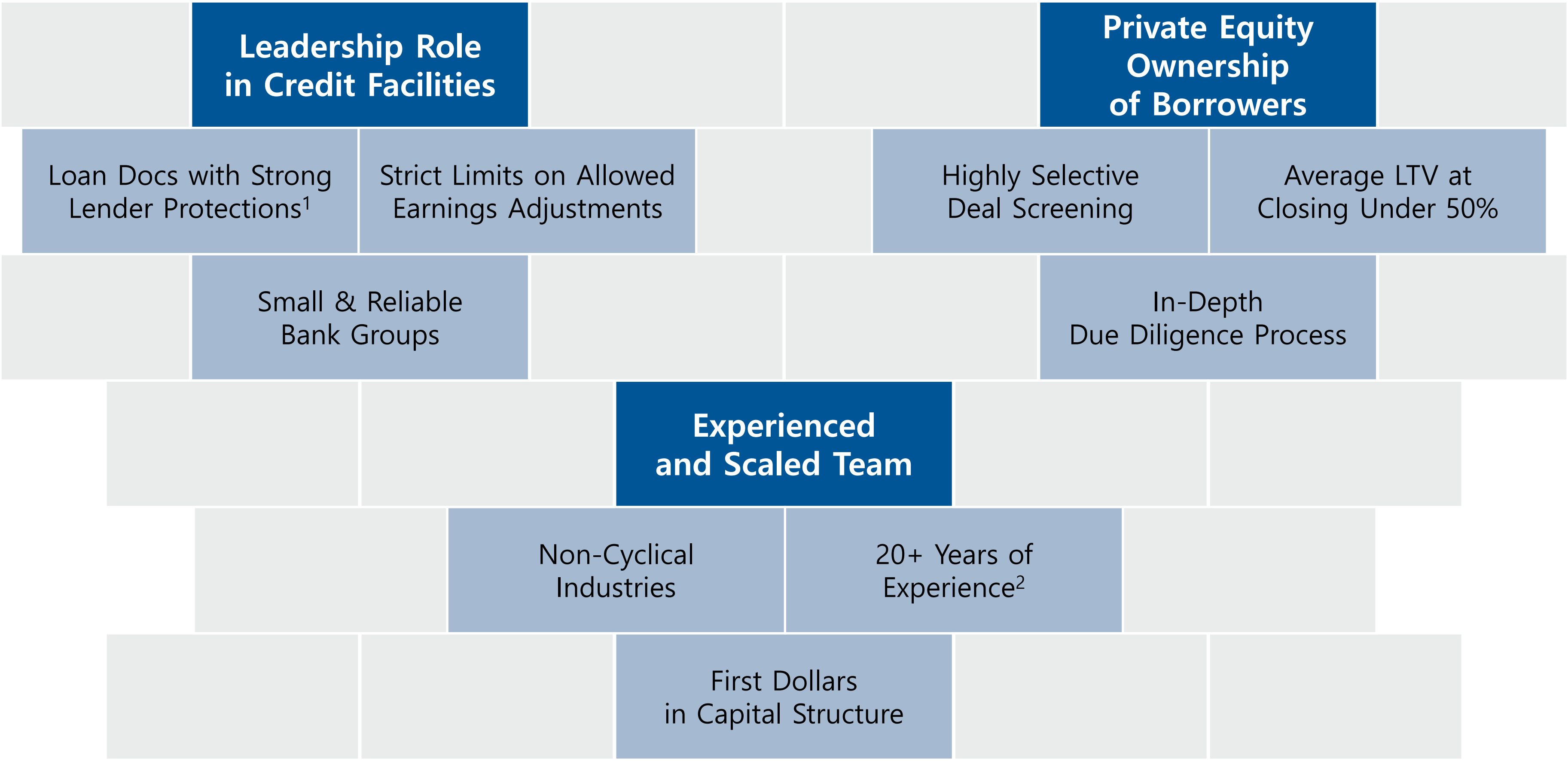
(2) Source: S&P Global Ratings, S&P Global Market Intelligence's Credit Pro & Ratings Research. Article: Credit Trends: U.S. Recovery Study: Post-Default Recoveries Improve in 2021 As Challenges Remain. For Lower, Core, Upper Middle Market and BSL Loans, recovery rates represent the mean, discounted recovery rates of term loans with revolving credit facilities. Bond recovery rates represent the dollar weighted, nominal recovery rates for larger firms. All recovery rates are from 1987 through September 2021. Includes only debt instruments that defaulted from U.S. Issuers. Lower and Core Middle Market firms defined as firms with $350 million or less in total debt outstanding at the time of default. Upper Middle Market and BSL Loans defined as firms with greater than $350 million of total debt outstanding at the time of default. Recoveries are defined as the ultimate recovery rates following emergence from three types of default: bankruptcy filings, distressed exchanges, and non-bankruptcy restructurings. Recovery rates based at the instrument level and discounted using the effective interest rates. The above represents historical data and is not indicative of the performance of any fund or account.

Foundation of Return Philosophy



Note: Reflects Angelo Gordon's views and beliefs. We intend to invest in securities that are rated below investment grade which have predominantly speculative characteristics. There can be no assurance that any proposed Angelo Gordon fund or strategy will be able to achieve comparable, and that any proposed Angelo Gordon fund or strategy will be able to implement its investment strategy, achieve its investment objectives or avoid significant losses.
(1) Lender protections are structural elements of loan investment that serve to strengthen the lender's position. This may include but are not limited to first lien perfected security interests on tangible/intangible assets of a portfolio company and covenant packages with both financial and negative covenants.
(2) Select senior members of the Twin Brook team have been executing a similar strategy for 20+ years, including prior to Twin Brook.

Project Park*

Project Park – Transaction Overview

Twin Brook Role	Administrative Agent
Borrower Overview	Manufacturer, marketer and MRO supplier of commercial playgroup equipment and amenities
Sponsor	Three unique Sponsors
Sponsor Investment Thesis	• Grow sales in underpenetrated markets • Actively seek accretive acquisitions throughout the industry • New product development by focusing on health and wellness trends
Key Underwriting Strengths	• Favorable operating metrics • Mature and favorable industry dynamics • Highly diversified customer base • Cash flow characteristics
Diligence Focuses	• Technology and end market risk • Sustainability of financial performance • Bonding requirements • Seasonality of the business

	Sponsor A	Sponsor B	Sponsor B	Sponsor B	Sponsor C
Close Date	8/25/2016	5/26/2017	10/31/2018	1/31/2019	12/14/2021
Transaction Type	Dividend Recap	Leverage Buyout	Add-On	Add-On	Leverage Buyout
Facility Size	$35.0MM	$54.5MM	$56.9MM	$89.3MM	$140.0MM
Pricing	L+6.25%	L+6.50%	L+5.00%	L+5.75%	L+5.75%
TTM Revenue	$28.6MM	$33.7MM	$48.5MM	$52.0MM	$81.6MM
TTM EBITDA	$8.9MM	$10.6MM	$15.2MM	$16.8MM	$27.2MM
Closing Leverage	3.32x – Senior Only	4.60x – Senior Only	3.27x – Senior Only	4.79x – Senior Only	4.77x – Senior Only

"M" represents thousands while "MM" represents millions.

* The above case study is presented for illustrative purposes and is not necessarily indicative of transactions currently available for any fund or account. Please note, the following case study examples include information related to underwritten yields and other data which are based on purchase assumptions and valuation methodologies that are believed to be reasonable under the circumstances. The actual realized returns depend on, among other factors, operating results, the value of the assets and market conditions, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used in the data contained herein are based. Accordingly, the actual realized returns of the Partnership may differ materially from the yields and other data indicated herein.

Additional Disclosures

Investments in the Fund's strategy include several risks and limitations, including but not limited to the risk of loss. Investments in debt of middle market companies involve a number of significant risks, any one of which could cause the Fund to lose all or part of the value of its investment. The Fund’s focus on investments in the debt of middle market companies may constrain the liquidity and the number of securities available for investment by the Fund, and the Fund’s investments are disproportionately exposed to risks associated with these securities; there is a risk that the collateral securing a Fund’s investment in senior secured loans may decrease in value over time or become difficult to sell in a timely matter, and as a result does not eliminate the risk that the Fund will be unable to collect on the loan; middle market companies have more limited financial resources than larger companies and may be unable to meet their obligations, have shorter operating histories, narrower product lines and smaller market shares, and are more vulnerable to competitors’ actions and market conditions, which may reduce the likelihood of the Fund realizing any guarantees it may have obtained in connection with its investments with respect to such companies; the loans in which the Fund invests will be concentrated primarily in North America and, consequently, weak economic conditions in this location or any other location (which may or may not affect real property values) may affect the ability of borrowers to repay their loans on time; increased competition for, or a diminishment in the available supply of, qualifying loans could result in lower yields on loans originated by the Fund, which could reduce returns to investors; the Fund’s investments in sub-investment grade loans are subject to greater risk of loss of principal and interest than investments in higher rated securities and the market for non-investment grade securities may be smaller and less active than that for higher-rated securities, which could ultimately have a material adverse effect on the performance of the Fund; with respect to the Fund’s investments whose loan terms permit prepayment and no or nominal prepayment premiums, to the extent early prepayments increase, the proceeds generated by the Fund may decline as compared to Angelo Gordon’s expectations; the Fund’s investments in subordinated loans are subject to the risk that the subordinate portions of such loans may suffer losses prior to more senior portions of such loans; the Fund’s investments in unsecured debt are subject to the risk that in the event of default on the unsecured loan, no collateral value would remain for the unsecured holder resulting in a loss of such investment to the Fund; the Fund may use leverage, which will increase the funds available for investment, but will also increase the risk of capital loss in the event of adverse changes in the level of market prices of the positions being financed with the borrowings, and there can be no assurance that the Fund will be able to maintain adequate financing arrangements under all market conditions; changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial conditions of issuers of the Fund’s investments, may impair the Fund’s ability to dispose of an investment at the prevailing market price; the Fund may seek to purchase entire portfolios or substantial portions of portfolios from market participants in need of liquidity, which presents a substantial risk that Angelo Gordon will not be able to adequately evaluate particular risks or that market movements or other adverse developments will cause the Fund to incur substantial losses on such transactions; due to the illiquid nature of many of the investments the Fund expects to make, Angelo Gordon is unable to predict with confidence what, if any, exit strategy will ultimately be available for any given core position.

Any forecasts and estimates (including, without limitation, any targeted or projected rates of return) contained herein are necessarily speculative in nature, involve elements of subjective judgment and analysis, and are based upon certain assumptions and the best judgment of AG. Targeted and projected returns are hypothetical, and do not reflect the actual returns of any client or investor. It can be expected that some or all of such assumptions will not materialize or will vary significantly from actual results. Accordingly, these targeted or projected rates of return are only an estimate. Actual results will differ and may vary substantially from the results shown herein or projected. AG's targeted or projected performance information is not a prediction or projection of actual results and there can be no assurance any such targets will be achieved. The actual returns of any individual investment can be lower or higher, depending on the nature of any individual investment. AG's evaluation of a proposed investment is based, in part, on AG's internal analysis and evaluation of the investment and on numerous investment-specific assumptions that may not be consistent with future market conditions and that may significantly affect actual investment results. AG's ability to achieve investment results consistent with these targets depends significantly on the accuracy of such assumptions.

Target returns are hypothetical and do not reflect actual returns to any Angelo Gordon client or investor. Target returns are based upon certain assumptions and the best judgment of Angelo Gordon. Please see the page titled Target Return Components for a description of the assumptions that go into such target returns. Such assumptions are subject to change. It can be expected that some or all of such assumptions will not materialize or that actual facts will differ materially from such assumptions.

Any change or inaccuracy in the assumptions will have a material impact on actual results, and it should not be assumed that any target returns shown herein will be achieved. Hypothetical returns have inherent limitations and prospective investors should not rely on any hypothetical performance shown herein. No representation is made that any fund or investor will or is likely to achieve the results shown. Actual results will differ and may be materially lower than the target shown herein.

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