James Robson:

Good afternoon and welcome to the RM Secured Direct Lending portfolio update call.

I am James Robson the Chief Investment Officer at RM funds and we have on the line Pietro Nicholls the portfolio co-manager.

I thank everyone for making space in their diary at such short notice.

Please note an important disclaimer for this call, you will hear a number of forward-looking statements which are based on the Investment Managers assumptions, estimates, outlook, and other judgments made in light of information available at the time of preparation and involve both known and unknown risks and uncertainties.

Accordingly, comments, objectives, and other statements may not be realized as described, and actual financial results, success/failure or progress of development, and other projections may differ materially from those presented herein.

We are slightly later than we hoped in publishing this market update as the RM Funds Investment team and the Board were trying to coordinate with the audited year end 2019 accounts which were due for release – however, as many might have noted over the weekend the FCA issued an announcement asking Listed Companies to delay the release of their accounts – as such the auditor EY has postponed the sign-off.

The Investment Manager is keen therefore to discuss the likely initial effects of Covid 19 on the portfolio within the context of this rapidly developing situation – we will try to cover off all bases.

As we are not taking direct questions at the end of the call, should we not cover a point you have a question about – or this call raises further questions please contact myself, Pietro or the Company Broker directly and we would be delighted to have a continued 1 on 1 dialogue.

The manager, RM Funds has the ability to carry on as normal – we are working remotely and are in daily contact with keys stakeholders such as the Board, the AIFM and the administrators. Portfolio investments are monitored by our team with monitoring and control continuing at pace as we are on heightened alert.

Turning to the RMDL Investment Strategy, it is to generate attractive risk-adjusted returns and preserve capital, by advancing secured Loans. The benefits of secured lending is that the borrower is the equity holder and takes the upside from any surplus cashflow, however in any downside scenarios they take the first loss. The Investment Team has historically been focused on supporting middle-market corporates, project finance assets and asset finance opportunities. The Investment Managers focus has been lending to businesses with tangible assets and or a degree of contracted cashflows, including real estate, plant, equipment and receivables. The portfolio is significantly weighted towards real asset lending and to businesses with less correlation to the traditional economic cycle. In addition, the portfolio is diversified across 13 sectors with an average Loan to value of £3.95m and average length to maturity of 3.35 years.

Circa 58% of the portfolio are bilateral loans, with the remainder of the investment portfolio invested across syndicated loans and corporate bonds circa. Circa 37% and 5% respectively.

Borrowers typically have significant equity invested within the portfolio investments and these rank behind the lender. Approximately for half of the portfolio RMDL is the senior secured lender and for the remainder RMDL is either senior Holdco lender (16%) or Junior secured lender (35%).

Over the last three weeks we have seen a material and accelerated move wider in credit spreads, irrespective of credit quality or security.

To put the spread widening move into context, as at our recent valuation point on the 20th march the MarkIT iBOX EUR liquid HY index was down –14.27% and the S&P European Leveraged Loan Index (ELLI) was down -17.12%. Yesterday we advised the market that the RM Secured Direct Lending portfolio had been marked lower by 9.6 pence per share. The main component of the this loss was the more liquid part of the portfolio, however the marks were adjusted across the majority of the portfolio to reflect the perceived or actual risk increase from this Covid 19 event. We expect the recent mark down to be temporal based on our working assumption that the lockdown is for a relatively short period of time. In fact within this more liquid part of the portfolio we can we some incredible value as credit has been liquidated in a market that does not have a large capacity to take on risk.

The balance sheet of RMDL has strong flexibility with £4.2m of availability with the £10m revolving credit facility at OakNorth Bank. We recognise that past performance is no guarantee of future success, however it should be noted that this week the final dividend for 2019 is being paid which included a special for the strong portfolio outperformance during 2019.

Long term income sustainability is a key priority. Q1 2020 income remains largely known and is on target. Although the outlook for Q2 is less certain, it is not the intention of the Investment Manager to advise the Board to change any dividend guidance at this time. Shareholders will be updated on a monthly basis within the monthly factsheets on the trajectory of the dividend.

At this moment in time our focus on monitoring and ensuring existing investments return capital and interest to RMDL - investors should be reassured that the focus of the investment manager is transaction monitoring and control and dealing with any issues if and when they arise.

Before I hand over to Pietro, I would like to thank our investors for their patience over recent days as they sought communication from ourselves. This transcript will be posted after the call on the Company website www.rmdl.co.uk under the investor centre / investor relations tab. Given the private nature of the Loans there is some data we cannot supply in a public forum and hence some financial metrics are not shown rather just the business description.

I will now turn over to Pietro, to provide an update on the Portfolio.

Pietro Nicholls:

Thank you, James.

Good afternoon, I hope everyone is healthy and sane in this current difficult environment.

As James mentioned, the majority of RMDL's investments are secured over business assets, pools of collateral or specific real assets and or contracted cashflows.

Many of our investors will be acutely aware that every single investment requires the team to extensively model the base case, downside and recovery scenarios, and as a consequence our covenants are set in such away for the Investment Manager to engage in a proactive way with borrowers, sponsors and key stakeholders.

Whilst the vast majority of the investments within the portfolio contain some form of structural protection (such as margin ratchets to address and reprice risk, Payment in Kind ("PIK") features or interest reserves) which in the that event COVID-19 proves to be a temporary event such features allow a business to trade through an "a typical" cyclical recession / slow down in economic activity.

Over the last two weeks the Investment team have been in constant dialogue with borrowers, business owners, sponsors and key stakeholders.

As is our approach, we are offering a granular breakdown of the book – so, investors can see the loan investments individually.

Wherever possible we have given the borrower names – some of the project finance loans are to Special purpose entities so we have anonymised those.

I will now discuss the top 10 investments which account for circa 54 % of the portfolio. The full portfolio will be listed as James says with the quarterly report on the 16th April. We will distil the credit down into two metrics where we can to define the leverage within each specific transaction and the cash interest cover to aid investor analysis,: Loan to Value as one metric - such figures are derived from recent collateral or valuation reports or the Investment Team have calculated the implied equity valuations or actual equity contribution from financial sponsors where appropriate. Interest Cover is derived from recent reporting is the second metric.

You will see from the below that the business lending which constitute this top 10 and the portfolio as a whole are to those businesses of scale – project finance loans are to high quality assets, and our asset finance portfolio is diverse, granular and supported by a committed sponsor.

#1 Asset Finance

This loan is secured over a diverse pool of real assets. There are approximately 2,700 asset finance agreements in place with lessees within the portfolio, split over a number of industry sectors. The collateral is predominantly plant and equipment. There are a number of covenants which restrict loan concentrations within the portfolio, quarterly there is an external third-party audit of the portfolio for the benefit of the lender.

The investment has a current implied LTV of c. 68% with Interest Cover of: 2.37x. In addition, there are a number of structural features and covenants which protect the lender and assist with the deleveraging of the business (and subsequent repayment of RMDL's credit facility) should revenues reduce. In addition, there is considerable borrower equity in the vehicle and furthermore the additional lessees' equity paid at inception as a deposit for each of the equipment items funded.

Initial commentary from the borrower's management team re the COVID-19 impact is that they expect Q2 2020 to become more challenging as the country is now in lock-down. The sponsor believes they are entering this potential disruption from a position of strength as they have a strongly performing portfolio with strong credit and underwriting process. Conversations with the sponsor and management team have been encouraging, with the sponsor providing verbal commitment to support the business during this unprecedent event if required. The borrower as increased the credit team in order to closely monitor the situation.

#2 & #3 UK Hotels

The sponsor is one of the largest private owners of Hilton branded hotels in the UK. The five branded and operational hotels are split across two SPVs. The brands also cover Crowne Plaza, Radisson Premier Inn and Travelodge across 5 geographically disbursed regions within the UK. As a credit enhancement whilst both Loans are legally separate, they both cross guarantee each other so from a credit perspective we review them as one. Both portfolios of hotels have a stabilised LTV of c.80%. Interest Cover of: 1.66x.

The management team have implemented a hibernation and disaster recovery strategy, to ensure the properties are maintained during this phase. The sponsor has reaffirmed and verbally committed to supporting the business and assets.

4.Auto Parts Manufacturing

Beinbauer is a manufacturer and supplier of high-precision cast parts and forgings and anti-roll bars primarily to the commercial truck industry in Germany and other Western European countries.

This is a large business with over 200million euros of revenue and was purchased by HIG Capital in 2017.

Clearly the automotive parts sector will be affected as the large automakers shut down their factories across Europe. The company is embedded within the supply chain and they have shared with the lenders their scenario planning which will allow transition though this period. This contingency plan has been formulated by the Management team and sponsor and shared with the lending group in a timely fashion last week.

At present the German government is rolling out significant government incentives to help with labour costs and other measures to support this business and others which are critical for the automotive industry to survive this lock down and period of inactivity.

In addition, at the outset the transaction was documented with structural protections to allow the borrower to trade through a downturn.

5. HR & Payroll Services

Zellis provides payroll and human resources services to a number of business ranging in size. 33 of the customers are FTSE 100 companies and in total Zellis serves 5 million employees every month.

Whilst we expect to see revenues and margins coming under pressure through this period of inactivity, fiscal support from government is likely to ensure payroll and hr services will continue to be required now more than ever as employers grapple with their furloughed employees and the payroll complexities around this.

The implied LTV is currently c78%

The lenders await up to date company reporting due this week.

6. Forecourt Operator: Motor Fuel Group

The company is well capitalised and has a strong cash flow generation, supported by a leading private equity firm it is the largest independent forecourt operator in the UK with around 900 stations operating under brands such as BP & Shell.

The implied LTV is currently 56%

The Company provided an update circa two weeks ago to the lending group, however this information is now out of date given the recent travel restrictions

In terms of the recent oil price drop, the company operate on a margin "pass through" basis and can therefore adjust the sales price appropriately.

7. Gym Franchisor

The firm collects royalty income from c.100 gym franchisees across the UK.

The UK government announcement (re the closure of gyms and other non-essential services/shops) will have a material impact at least over the short-term on the business's operations.

The sponsor along with the executive management team is working through a range of scenarios, and consulting with stakeholders in the best way to address the current situation.

First and foremost, there is a significant sponsor (equity) contribution into this business providing support for the lender.

Secondly this Loan is senior secured and thirdly the investment benefits from structural protections in the event the risk profile of the business deteriorates.

The implied LTV is c.40%.

8. Social infrastructure – Elysium Healthcare

Company specializes in providing services within the UK focusing on mental illness, learning disabilities, autism and predominantly focuses on high-fee services and was spun out of the Priory group in 2016. BC partners is the sponsor and being a healthcare name Elysium is operating in a defensive sector providing critical services.

Being a business loan, the security encompasses the whole group including all of the property excluding any property previously sold off on a ground lease.

The implied LTV is circa 78%

9. Social infrastructure – Student Accommodation

A purpose-built student accommodation refurbishment / development occupying a prime location in Coventry's city center, close to Coventry University.

The scheme was recently completed on budget, and is due to soft-open during the summer for the 2020/21 academic year.

The borrower is in the process of divesting the asset or will be leased out for the next academic year if the market is closed for sales. Transaction contains structural protection, specifically a six-month unutilized interest reserve.

The LTV is c.74%.

10. Social infrastructure – Student Accommodation

This loan is secured over 5 operating student accommodation schemes in key university cities. Locations include; Coventry, Newcastle, Leicester & Sheffield.

The Management team at present have had no material impact on lettings, as students are fully paid up for the remaining academic term.

Summer lets account for a de minims income.

Pre-lettings for the 2020/21 academic year are currently in line with previous years (c. 20%). The sponsor and management team will continue to monitor the situation carefully.

The investment benefits from interest reserve accounts.

The current LTV is c.76%, Projected Interest Cover of: 2.18x

I have just focused here on the top 10 holdings – however this level of detail remains if we were to continue down the list. The full holdings list will be made available on the quarterly factsheet due for release on the 16th April.

Finally, we would like to provide some commentary on the potential avenues available to the Investment Manager in the event a work out or recovery situations arise due to the current global health crisis and expected recessionary economic climate. Whenever we meet with investors, James or I talk about our modelling to include base case, downside and recovery scenarios. The below refer very much to the latter however it is important that investors understand that this will always be part of the investment managers thinking.

In the first instance it is always preferable to encourage the borrower to refinance or inject additional equity contributions to support the business. However, in the event this is not forthcoming or not possible, the Investment Manager will take a view, below are some high-level comments by Loan type:

Real estate:

Over the medium-term, the most likely stress trigger / financial covenant breach would be due to the LTV calculation rather than cash flow/interest cover breach.

In such an event the sponsors have the option to “cure” the default.

In the event the sponsor didn’t wish to inject additional capital, it would be possible for the Investment Manager to step-in and control the sponsors equity, and equitize or appoint administrators / receivers to divest the operating assets.

It is important to note, the operation of the real estate assets would continue as the operators are independent of the borrowers.

Asset finance:

In the event of stress, there are multiple avenues from calling on credit insurance, to recovery of equipment and auction, to (the borrower) absorbing losses through the equity cushion built into both the collateral pool and corporate structure.

In the event of material stress without any sponsor financial support our approach would likely involve an acceleration type event without enforcement or equitization.

The investment team have structured the facilities to allow this generally at our will or based on mechanical testing – there is therefore a degree of optionality/flexibility for the Investment Manager.

Corporate credit:

Our approach depends on the size of situation we are involved in, for the bilateral deals where we are the sole creditor, we have more flexibility and can take a longer-term view.

Where we are in a club or syndicated deal, it could involve divesting our position or forming a creditor group to engage with the sponsor and borrower.

Key factors for the Investment Manager to consider in such circumstances will involve understanding the value of the collateral, creditor voting rights, financial performance, industry and business outlook, and valuation multiples etc.

In summary, our investment team have been undertaking extensive work to understand how the investments are positioned with current facts and information.

The key takeaway is that, the portfolio companies are taking measures to protect their businesses and ultimately our Loan investments within them.

For any questions received we will respond directly – as James said at the start of the call should any further questions arise please let us know.

I thank you for your time on this call – I hope it has been both useful and informative. Our next planned portfolio update will be on Thursday 16th April which is the scheduled quarterly factsheet and NAV release.