Marble Point Loan Financing

COVID-19 uncertainty

Dividend suspended

Investment trusts

Marble Point Loan Financing (MPLF) is temporarily suspending its dividend due to the impact of COVID-19.The recent economic disruption has resulted in rating agencies downgrading the underlying collateral of MPLF's collateralised loan obligations (CLOs) at a pace that could trigger its need to make provisions. The heightened risk is above that modelled by MPLF and could affect cash flow. MPLF's policy is to maintain a well-funded dividend. In the last five quarters cash distributions have exceeded dividends by a good margin. With the total impact of COVID-19 uncertain, management believes it is prudent to preserve cash now, which will provide more flexibility for when dislocations in the credit market provide good investment opportunities.

6 months to	Share price (%)	NAV (%)	S&P Lev Loan (%)	Credit Suisse HY Value (%)	S&P 500 (%)
31/08/18	3.0	(1.3)	2.1	1.9	7.8
28/02/19	(16.1)	(3.9)	1.3	(3.8)	(2.9)
31/08/19	6.2	(3.4)	2.0	10.3	6.2
29/02/20	(0.5)	(6.2)	1.4	(5.2)	1.9

Note: *Refinitiv. All % on a total return basis in US dollars.

In February, MPLF's NAV per share dropped 7.1% to $0.71 as concerns mounted about the economic impact of the COVID-19 pandemic. The concerns are industry-wide; in the same month the leveraged loan market saw retail outflows of $2.6bn. By the end of February, MPLF's lagging 12-month default rate had remained constant at 1.83% and MPLF had no exposure to the five constituents of the Credit Suisse Leveraged Loan Index that defaulted that month. However, the economic impact of the pandemic has worsened and the leveraged investment default rate is likely to increase. The Federal Reserve rate cut in March 2020 also dented investor demand for CLOs as they pay a floating rate which tracks the Fed's policy rate.

On 2 January 2020, the company's continued good performance led MPLF to significantly increase its quarterly dividend from $0.020 per share to $0.025. The dividend was paid on 30 January. The annualised yield would be 16.4% if MPLF retains the quarterly dividend of $0.025 per share when it is reinstated.

At the end of February, MPLF's investment portfolio was $171.8m, of which 69% was in equity tranches of 10 different Marble Point CLO issues. The remaining portfolio was split between CLO debt tranches (9%), CLO fee participations (2.8%), the NAV of the funding subsidiary (11.2%) and the Marble Point loan accumulation facility (8%). It also had $2.9m in other assets. Subsequent to month end on 24 March, MPLF invested approximately $20m in the equity of MarblePoint CLO XVII. The equity tranches had an effective yield of 8.6%, the debt had an all-in yield of 3.7% and fee participations were 18.2%.

15 April 2020

Price	**$0.46**
Market cap	**$95m**
NAV per share*	$0.71
*NAV as of 29 February	
Annualised current yield*	16.4%
*Currently suspended. Rate assumes dividend is reinstated at previous level ($0.10 annualised)	
Shares in issue	205.7m
Code	MPLF
Primary exchange	LSE Specialist Fund Segment
AIC sector	Sector Specialist: Debt

Share price performance

Gearing

Gross*	16.1%
Net*	3.8%

As at 30 June 2019. Excluding MPLF Funding debt

Next events

NAV update	April 2020

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