EDISON

Marble Point Loan Financing

Company update

Solid cash flow

Investment trusts

Marble Point Loan Financing (MPLF) is a closed-end fund that invests in leveraged loans via collateralised loan obligations (CLOs) and loan accumulation facilities (LAFs) managed by Marble Point Credit Management (Marble Point). The experienced credit investment team employs a conservative, disciplined approach. MPLF's mark-to-market pricing approach directly reflects market volatility and this was notable during the November-December 2018 selloff, when MPLF underperformed its peers. However, its underlying portfolio has been largely unaffected and cash flow generation remains strong. MPLF's H119 interims showed a 13.5% annualised net investment income backing its 10.1% dividend yield.

6 months ending	Share price (%)	NAV (%)	S&P Lev Loan (%)	Credit Suisse HY Value (%)	S&P 500 (%)
31/08/18	3.0	(0.1)	2.1	1.7	8.0
31/03/19	(16.1)	(5.1)	1.3	(3.6)	(3.0)
31/08/19	6.2	(3.4)	2.0	10.3	6.2

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

The market opportunity

As interest rate expectations have fallen, there has been a net retail outflow from the US loan market throughout 2019. However, institutional demand for CLOs remains robust; attracted by the relatively high interest rates and the stable credit quality. Strong US CLO issuance continues and 2019 is likely to be a record year volume-wise, putting pressure on CLO debt spreads. However, the lack of supply of underlying loans have kept loan spreads from widening slightly in 2019 and these two factors together could eat into the returns of the CLO equity investments, which receive the remaining income after debt tranches have been paid (CLO equity tranches account for 76.9% of MPLF's portfolio). CLOs are still being issued with attractive estimated yields on equity tranches; eg Marble Point CLO XV, which closed in May 2019, is now yielding 12.9%.

Why consider investing in MPLF?

- Despite MPLF's relative NAV volatility due to the marking to market, the underlying portfolio has been performing well and generating a good cash flow.
- Marble Point has a conservative, disciplined approach to investment in leveraged loans, acting with strong conviction and backed by detailed analysis
- Its shares are trading with a significant current yield (10.1%) that is well covered. Testament to this, the CLO distributions in Q319 were $7.8m ($0.0379 per share, compared to quarterly dividend payment of $4.1m ($0.02 per share).

Valuation

The stock is trading at a 1% discount to the last published NAV (31 August 2019) despite delivering a net interest income on NAV of 13.5% in the first six months of 2019. The shares traditionally traded at a premium before the November-December 2018 downturn. We think the company may be penalised for its marking to market approach, paradoxically because it actually provides greater transparency.

18 October 2019

Price	**US$0.79**
Market cap	**US$163m**
NAV	**US$165m**

NAV per share*	US$0.80
Premium/(discount) to NAV*	(1%)

*NAV as of 31 August

Annualised current yield	10.1%
Shares in issue	205.7m
Code	MPLF
Primary exchange	LSE Specialist Fund Segment
AIC sector	Sector Specialist: Debt

Share price performance

%	1m	3m	12m
Abs	(6.0)	(4.9)	(23.5)
Rel (local)	(4.7)	(1.5)	(25.3)
52-week high/low		US$1.02	US$0.78

Gearing

Gross*	16.1%
Net*	3.8%

*As at 30 June 2019. Excluding MPLF Funding debt.

Next events

NAV update	November 2019

Analysts

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Edison profile page

Marble Point Loan Financing is a research client of Edison Investment Research Limited

Exhibit 1: Company at a glance

Investment objective and fund background

Marble Point Loan Financing's (MPLF) investment objective is to generate stable current income and to grow net asset value by earning a return on equity in excess of the amount distributed as dividends, through exposure to a diversified portfolio of US dollar denominated, broadly syndicated, floating rate senior secured corporate loans. MPLF has no official benchmark but performance is compared with US leveraged loan and high-yield bond indices.

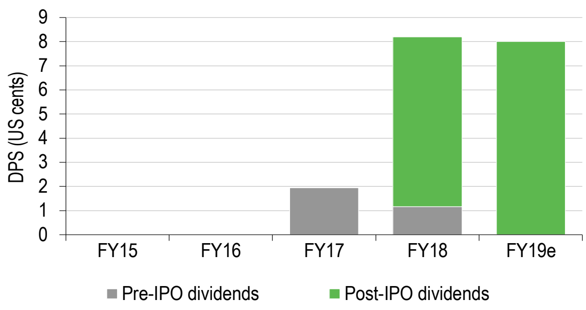
Recent developments

- 18 September 2019: H119 results, NAV TR +10.1% vs CSLLI +3.6% and S&P LL +5.7%; Adjusted net invest. income +$11.3m (13.5% return on NAV)
- 3 September 2019: MPLF committed to invest US$20.6m (54.4% of the CLO equity) in Marble Point CLO XVI, a new issue US$475m CLO.
- 27 June 2019: US$0.02 per share Q219 dividend announced.
- 2 May 2019: MPLF committed to invest US$17.4m (53.6% of the CLO equity) in Marble Point CLO XV, a new issue US$400m CLO.

Forthcoming		Capital structure		Fund details	
AGM	December 2019	Ongoing charges	1.41%	Group	Marble Point Credit Management
Final results	March 2020	Net gearing	3.8% (30 June 2019)	CEO & CIO	Tom Shandell
Year end	31 December	Annual mgmt fee	0.4%	Address	1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW
Dividend paid	April, July, October, January	Performance fee	None		
Launch date	13 February 2018	Company life	Indefinite (subject to vote)	Phone	+44 (0)20 7259 1500
Continuation vote	2022 AGM	Senior unsecured debt	US$29.5m principal due 2025	Website	www.mplflimited.com

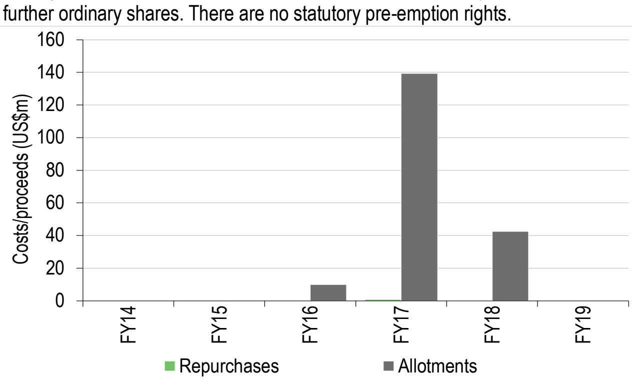
Dividend policy and history (financial years)

Dividends are paid quarterly, with an initial targeted dividend yield of 8% per annum, based on the IPO price of US$1.00. Inaugural dividend paid in Q417. Pre-IPO dividends were adjusted for IPO share conversion ratio.

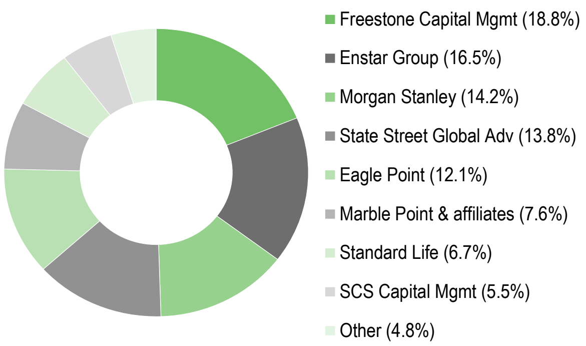


Share allotment and repurchase history (financial years)

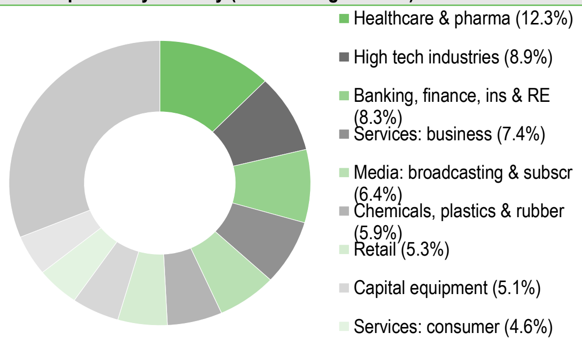
In February 2018, MPLF raised US$42.5m in gross proceeds in its IPO, through issuing 42.5m shares at US$1.00. The directors have authority to allot unlimited further ordinary shares. There are no statutory pre-emption rights.



Shareholder base (as at 28 September 2019)



Portfolio exposure by industry (as at 31 August 2019)



Top 10 underlying issuers (as at 31 August 2019)

		Portfolio weight %	
Company	**Industry**	**31 August 2019**	**31 January 2019***
Numericable	Media: broadcasting & subscription	1.0	1.0
Asurion	Services: consumer	1.0	1.1
SunSource Holdings	Capital equipment	1.0	1.1
Amneal Pharmaceuticals	Healthcare & pharmaceuticals	1.0	1.0
CSC Holdings	Media, broadcasting and subscription	0.9	N/A
Greenhill Co Inc	Banking, finance, ins & RE	0.9	N/A
FHC Health Systems	Healthcare & pharmaceuticals	0.9	N/A
Weight Watchers International	Healthcare & pharmaceuticals	0.9	N/A
Michaels Stores	Retail	0.9	N/A
Alvogen Pharmaceuticals	Healthcare & pharmaceuticals	0.8	0.9
Top 10 (% of holdings)		**9.7**	**9.5**

Source: Marble Point Loan Financing, Edison Investment Research, Bloomberg, Morningstar, Refinitiv. Note: *N/A where not in end-January 2019 top 10.

Fund profile: Leveraged loan specialist

MPLF is a closed-ended investment company that started operations in 2016 and was listed on the London Stock Exchange (Specialist Fund Segment) on 13 February 2018. MPLF targets an annualised total return in the low-to-mid teens over the long term, including an initial quarterly dividend of 2.0% of the US$1.00 per share issue price (increasing to 2.5% per quarter in the second year following initial admission).

MPLF seeks to achieve its objective by investing in a diversified portfolio of US dollar-denominated, broadly syndicated floating rate senior secured corporate loans. Direct and indirect exposure to loans is primarily gained via MPLF's wholly owned subsidiary MPLF Funding, together with investments in loan accumulation facilities (LAFs) and the equity and junior debt tranches of collateralised loan obligations (CLOs) that are all managed by Marble Point Credit Management (Marble Point) and its affiliates (see page 5). As well as managing a number of CLO and LAF investment vehicles, Marble Point serves as investment manager for MPLF and MPLF Funding.

Marble Point is an SEC-registered specialist asset manager that focuses exclusively on leveraged loans, with c US$4.6bn in assets under management as at 30 June 2019. Marble Point was formed in 2016 by Tom Shandell, who has over 30 years' credit market experience, in partnership with Eagle Point Credit Management (Eagle Point), one of the world's largest CLO equity investors, with US$2.4bn in assets under management as at end-December 2018. Led by Tom Shandell and Corey Geis, Marble Point's investment team includes five industry-specialist credit analysts, with more than 17 years' average credit market experience across the team.

Recent developments

MPLF reported its H119 results in September 2019. In the first six months of 2019, NAV total return was 10.3%, more than the S&P Leveraged Loan Index (S&PLL), which was up 5.7%, but below the Credit Suisse High Yield Index (CSLLI), which was up 19.2%. The adjusted net investment income was US$11.3m (annualised return of 13.5% on NAV), and covered the US$8.2m paid in dividends. The adjusted numbers include the unrealised gains in the company's indirect investment in the MP CLOM, which holds the CLO investments but is not consolidated. This indirect exposure accounted for 57% of MPLF income in H119. We note that MPLF's net gearing dropped significantly from 12.1% at the end of December to 3.8% at the end of H119. The $28m 2025 7.5% debt note remains unchanged, but the cash position rose to $21.7m. This increase in cash merely reflects the cycle of investing, rather than any change to MPLF's approach to gearing.

On 3 October 2019, the issue of Marble Point CLO XVI was closed. This was a new issue US$475m CLO with an estimated effective yield of 13.0–14.0%, in which MPLF committed to invest US$20.6m, directly and indirectly via its ownership interest in the CLO manager, to acquire 54.5% of the CLO equity. Marble Point CLO XVI has a five-year reinvestment period, two-year non-call period and 13-year maturity. Its expected weighted average cost of debt is 210bp above Libor (Libor+ 210bp).

In July 2019, MPLF introduced an additional market quote in the London Stock Exchange (Specialist Fund Segment) to trade alongside its existing US dollar quote. This was done to improve investor access to its shares and increase the liquidity of the same.

In June 2019, the issue of Marble Point CLO XV was closed. This was a new issue US$400m CLO with an estimated effective yield of 13.0–14.0%, in which MPLF committed to invest US$17.4m, directly and indirectly via its ownership interest in the CLO manager, to acquire 53.6% of the CLO equity. Marble Point CLO XV has a five-year reinvestment period, two-year non-call period and 13-year maturity. Its expected weighted average cost of debt is 206bp above Libor.

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The manager's view: CLO institutional demand still strong

Marble Point CEO Tom Shandell notes that the leveraged loan market has rebounded in H119 after a difficult Q418 with the CSLLI up +5.4%. The retail outflow from mutual funds that started in late 2018 has continued this year as retail investors have been selling in anticipation of lower yields in these floating rate investments. However, there is still strong institutional investor demand for the issues and Shandell expects the robust CLO new issuance seen so far in 2019 to remain. He noted that the weaker market in Q418 provided investment opportunities for investors such as MPLF that did not have to face the mutual fund redemptions.

Shandell is optimistic about credit quality and expects default ratios to remain low. The economic outlook is still supportive and market conditions have allowed borrowers to push off maturities into the longer term. However, Shandell noted that CLO debt spreads have widened more than loan spreads and this could create some pressure on the returns to CLO equity holders (CLO equity represents 77% of MPLF's investment portfolio) in the future. CLO equity holders receive the remaining income after CLO debt tranches have been paid.

He believes that despite the rate cuts, floating rate securities such as CLOs still represent attractive yields and have not lost their lustre. Hence demand from investors is still remaining robust. Looking ahead, Shandell expects investors will be focused on rate cuts (especially with dovish signalling from the Federal Reserve) as well as the macro uncertainty after such a prolonged growth cycle.

Asset allocation

Please note that we describe in more detail the asset allocation process, including loan selection and credit approval, in our initiation note Disciplined leveraged loan investment specialist*, 8 December 2019, pages 6–8.*

Marble Point has a conservative, differentiated approach to credit investment with four key elements it its philosophy: 1) **margin of safety** (first lien investments, moderate loan-to-value ratios), 2) **relative value**, 3) **active trading** and 4) **active source of investments**. The focus on relative value leads directly to an active trading style targeting building par value, mitigating losses and avoiding stale positions. Shandell and Geis have deep, longstanding relationships with major banks and dealers. With private equity firms playing increasingly significant roles in the loan allocation process, active relationships are maintained with deal sponsors to understand and communicate how Marble Point can support their needs.

In its loan selection, MPLF also looks at various factors besides loan-to-value ratio (LTV), such as track records, cash flows (low capex and working capital preferred), profitability and competitive position strength. It also looks for catalyst triggers from credit improvement (accelerated earnings/cash flow, asset sales, and operational restructuring/cost reduction) or total return and price appreciation (M&A, equity issuance, debt refinancing, operational/financial restructuring). Other considerations include security liquidity and credit documentation such as EBITDA addbacks, limitations on debt (including incremental and other allowances), mandatory repayment terms and limitations on restricted payments.

MPLF's portfolio essentially is comprised of: 1) its Marble Point CLO equity and debt securities investments, 2) its subsidiary MPLF Funding (which invests in loans directly) and 3) its Marble Point LAFs. MPLF invests in Marble Point CLOs directly, but it also has indirect exposure through holding majority stakes in Marble Point's CLO manager subsidiaries, which maintain risk retention interests in each CLO they manage, generally to the extent required by law or regulation. The Marble Point CLO manager typically either refinances/resets and existing Marble Point CLOs or issues a new one.

MPLF may also buy Marble Point CLO securities on the secondary market, and has the flexibility to invest in other related CLO investments that can include those managed by third parties or investments in other CL collateral managers.

Current portfolio positioning

Marble Point CLO equity investments now account for 76.9% of MPLF's portfolio value. These are 10 tranches, with an average effective yield of 12.1%. We note that there has been a decline in effective yield in the portfolio from 12.7% in January 2019. There were notable declines in yields from Marble Point CLO VIII (admittedly from a quite high 17.9%) and also Marble Point CLO XIV. On the other hand, Marble Point CLO X yield rose significantly.

CLO debt securities with an average yield of 4.2% account for 8.3% of the value and the MPLF Funding subsidiary and fee participants account for the remaining 14.8%. At the end of August there were no loans being warehoused in the MPLF LAF, following the completion of the last securitisation (Marble Point CLO XVI).

Exhibit 2: MPLF investment portfolio as at 31 August 2019

Investment	Fair value	Portfolio weight	Effective yield*	Annualised cash yield**	CLO size	Equity tranche	Marble Point ownership	Junior OC cushion***	Non-call date	Reinvestment period end
CLO equity	**US$m**	**%**	**%**	**%**	**US$m**	**US$m**	**%**	**%**		
MP CLO III	12.7	6.8	13.0	20.4	399.5	55.1	71.2	4.8	20-Oct-19	20-Oct-22
MP CLO IV	0.7	0.4	6.6	19.6	396.7	48.4	5.0	4.0	25-Jul-19	14-Jul-21
MP CLO VII	9.2	4.9	12.7	38.4	540.8	45.5	61.2	5.2	12-Sep-19	18-Oct-20
MP CLO VIII	12.5	6.7	12.5	31.9	504.0	50.0	51.7	5.3	11-Nov-18	28-Oct-19
Marble Point CLO X	21.6	11.5	9.5	26.1	503.0	50.0	86.0	5.6	15-Apr-20	17-Oct-22
Marble Point CLO XI	15.7	8.4	14.1	28.8	501.8	48.5	59.8	5.4	18-Jan-20	18-Jan-23
Marble Point CLO XII	16.5	8.8	15.4	25.8	500.9	48.7	59.5	5.2	22-May-20	16-Jul-23
Marble Point CLO XIV	17.7	9.5	9.2	33.8	400.3	38.0	86.8	5.1	31-Dec-20	20-Jan-24
Marble Point CLO XV	17.0	9.1	12.9	-	400.4	36.5	63.0	5.2	06-Jun-21	23-Jul-24
Marble Point CLO XVI	20.6	11.0	N/A	-	475.0	43.8	64.0	N/A	19-Oct-21	19-Oct-24
Total Marble Point CLO equity	**144.2**	**76.9**	**12.1**							
CLO debt			**All-in yield**			**Debt tranche**				
MP CLO IV (Aaa)	10.9	5.7	3.6	-	396.7	258.0	5.0	4.0	25-Jul-19	14-Jul-21
MP CLO IV (Aa2)	1.8	0.9	4.1	-	396.7	42.0	5.0	4.0	25-Jul-19	14-Jul-21
MP CLO IV (A2)	0.8	0.4	4.7	-	396.7	19.4	5.0	4.0	25-Jul-19	14-Jul-21
MP CLO IV (Baa3)	1.0	0.5	5.9	-	396.7	24.6	5.0	4.0	25-Jul-19	14-Jul-21
MP CLO IV (Ba3)	1.0	0.5	9.3	-	396.7	24.0	5.0	4.0	25-Jul-19	14-Jul-21
Total Marble Point CLO debt	**15.5**	**8.3**	**4.2**	**-**						
Marble Point CLO fee participations	5.3	2.8	15.0							
MPLF Funding NAV	22.4	12.0	N/A							
Marble Point LAF	0	0.0								
Total investment portfolio	**187.4**	**100.0**								
Other Assets	6.6									
Total Assets*	**194.0**									

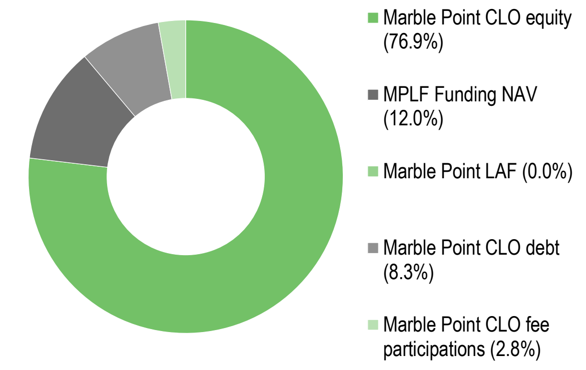
Source: Marble Point Loan Financing, Edison Investment Research. Note: *Yield to maturity based on projected cash flows. **Latest cash distribution relative to market price.

Exhibit 3 shows the breakdown of MPLF's portfolio by investment category and the underlying loan exposure by industry at end-August 2019. It is a little different from January 2019. The weight of CLO equity investments has climbed from 61.5% to 76.9%. This has been at the expense of the MPLF Funding (from 18.6% to 12.0%) and Marble Point LAF (from 9.6% to 0.0%). This reflects mostly that the portfolio snapshot has been taken at a point of the cycle of accumulating loans and then securitisation.

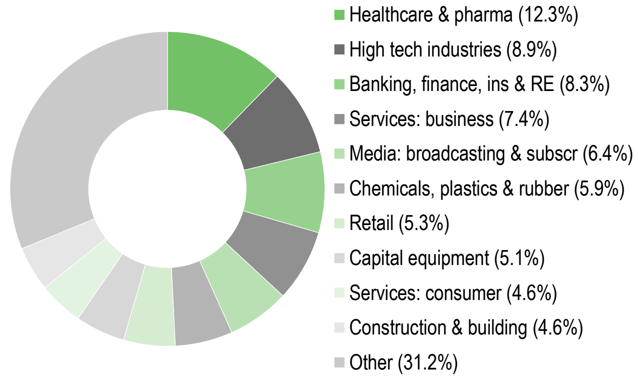
The portfolio's underlying industry exposure is similar to what it was in January with the same degree of diversification, with top 10 industries representing 68.7% of the portfolio (71.9% at end-January 2019). There has not been any significant shift in industry exposure, although we note a small decline in the weights of the top three industries.

Exhibit 3: MPLF portfolio analysis by investment category and underlying industry exposure

Portfolio analysis by investment category at 31 August 2019



Underlying loan portfolio analysis by industry at 31 August 2019



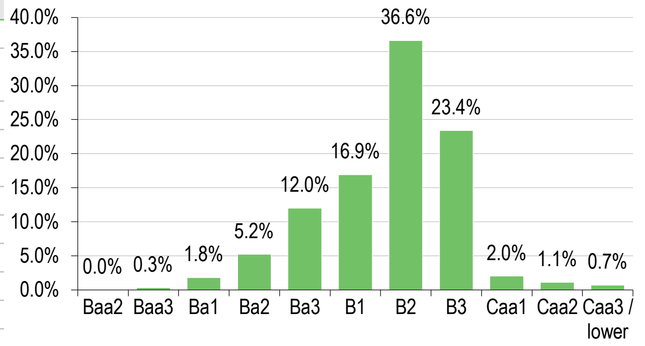
Source: Marble Point Loan Financing, Edison Investment Research

Exhibit 4: MPLF's underlying loan portfolio summary and rating analysis

Summary of underlying loan portfolio characteristics

	31-Aug-19	31-Jan-19	28-Feb-18
Unique underlying borrowers	279	296	343
Largest individual borrower exposure	1.0%	1.1%	1.2%
Average borrower exposure	0.4%	0.5%	0.4%
Currency: US$ exposure	100.0%	100.0%	100.0%
Exposure to first lien loans	97.84%	97.45%	96.10%
Exposure to defaulted borrowers	0.00%	0.06%	0.1%
Average junior OC cushion	5.10%	5.00%	4.71%
Average market value of collateral	96.06%	96.22%	99.61
Average stated spread	3.51%	3.45%	3.50%
Weighted average rating		B1/B2	B1/B2
Weighted average maturity	5.0 years	5.3 years	5.2 years

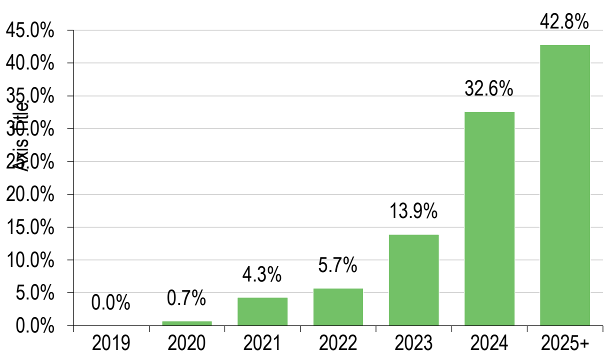
Moody's rating analysis of underlying loan portfolio at 31 August 2019



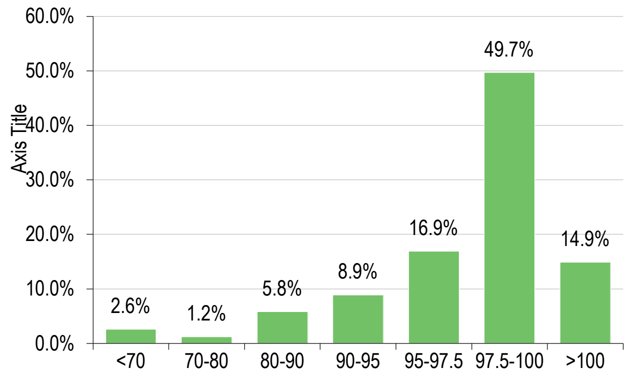
Source: Marble Point Loan Financing, Edison Investment Research

Exhibit 5: Maturity and price analysis of MPLF's underlying loan portfolio

Maturity distribution of underlying loan portfolio at 31 August 2019



Price distribution of underlying loan portfolio at 31 August 2019



Source: Marble Point Loan Financing, Edison Investment Research

The underlying loan exposure in terms of loan characteristics is also little changed as shown in Exhibit 4. The largest portfolio exposure to an individual borrower was 1.0% and the 10 largest exposures made up 9.4% of the portfolio (Exhibit 1), similar to end-January 2019 (9.7%). The underlying loan portfolio's weighted average credit rating is also little changed with loans concentrated in the Ba3, B1, B2 and B3 categories, although we note a very slight shift downwards with a little bit more B1, B2 and B3, and a little bit less Ba3. The weighted average maturity is 5.0 years (5.3 in January) and the age distribution as shown in Exhibit 5 is similar to January 2019 (allowing for the passage of time).

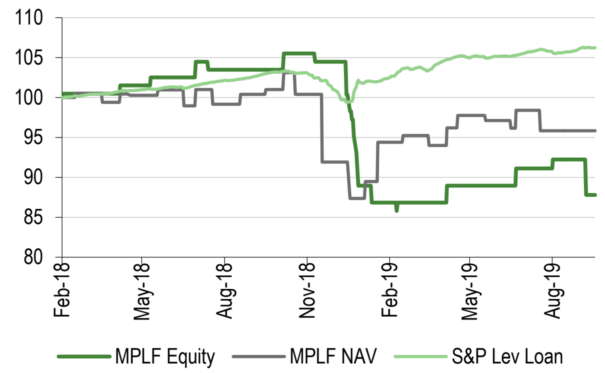
Performance: Affected by market price fluctuations

MPLF's NAV total performance has been affected by its conservative policy of marking to market as opposed to the mark-to-model approach (based on expected cash flow and not trading prices) more commonly used by its peers. This desire to be more transparent also inevitably results in greater NAV volatility. This was particularly noticeable during the market selloff in November and December 2018 when the MPLF NAV adjusted more than its peers. Prices were affected by redemption-driven selling by mutual funds invested in leveraged loans (as aforementioned due to anticipation of falling interest rates) and not an increase in corporate issuer defaults. While the valuation methodology does make MPLF seem more volatile than peers, its CLO portfolio cash flow performance and prospects have not fallen materially. The $11.3m reported in net investment income (13.5% return on NAV) in the 1H19 results was a good and reassuring number in our view.

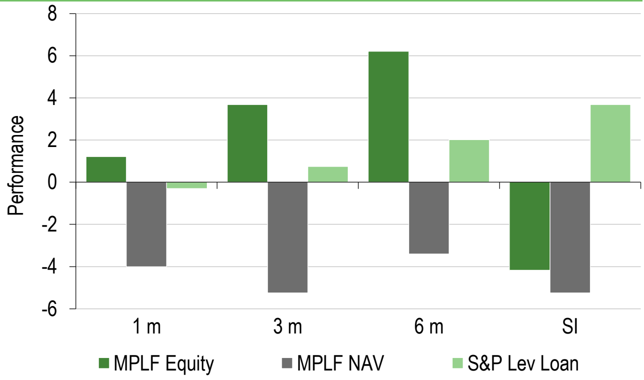
MPLF's NAV performance since the downturn has been more in line with the market. In the last six months to end-August, the NAV is up 1.9%, compared to 2.7% in the S&PLL.

Exhibit 6: Investment company performance to 31 August 2019 in US dollar terms

Price, NAV and index total return performance, since inception rebased



Price, NAV and index total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Since inception (SI) date is 13 February 2018.

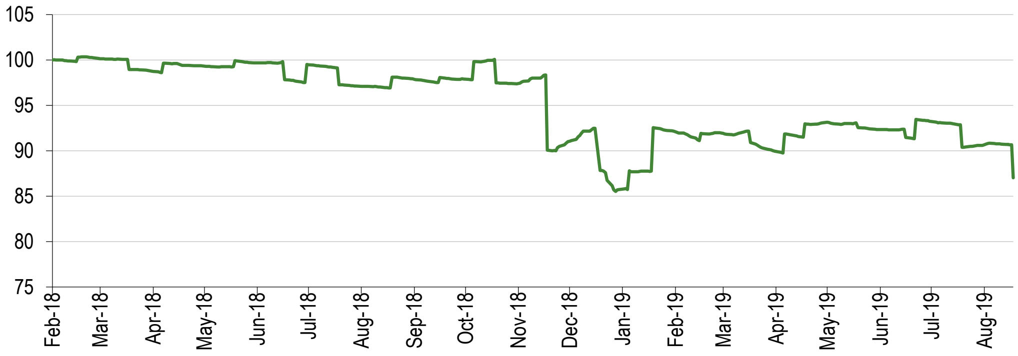
Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year
Price relative to S&P Leveraged Loan Index	1.5	2.9	4.2	(14.2)
NAV relative to S&P Leveraged Loan Index	**(3.7)**	**(6.0)**	**(5.4)**	**(11.7)**
Price relative to Credit Suisse HY Value Index	0.5	(1.5)	(4.1)	(17.2)
NAV relative to Credit Suisse HY Value Index	**(4.8)**	**(10.5)**	**(13.7)**	**(14.7)**
Price relative to S&P 500	2.81	-3.18	0.07	-13.78
NAV relative to S&P 500	-2.42	-12.12	-9.56	-11.28

Source: Refinitiv, Edison Investment Research. Note: Data to end-August 2019. Inception date is 13 February 2018. Geometric calculation.

Exhibit 7 shows MPLF's performance relative to a range of credit and equity indices over one, three and six months, and one year. MPLF's share price and NAV total returns lagged the selected indices. The NAV total return dropped 4% in August 2019. MPLF's NAV performance relative to the S&P Leveraged Loan Index is shown in Exhibit 8.

Exhibit 8: NAV TR performance relative to S&P Leveraged Loan Index since inception



Source: Refinitiv, Edison Investment Research. Note: Inception date is 13 February 2018.

Discount: Shares now trading at a discount to NAV

MPLF's shares traded at a premium over NAV following its IPO in February 2018 until January 2019 when the effects of the market selloff on the NAV were disclosed. Since then the shares have traded at an NAV discount usually close to 5%, but this narrowed to 1% after the NAV decline at the end of August. MPLF has no strict discount control policy, but shares may be repurchased if they trade at a three-month average discount wider than 5%, measured at each month end. Repurchases will only be made at prices below the prevailing NAV per share, when the directors believe such purchases will be value accretive.

Exhibit 9: Share price premium/(discount) to NAV since inception (%)

Source: Refinitiv, Edison Investment Research

Capital structure and fees

There is a single class of shares (with 205.7m in issue) and directors have renewable authority to purchase up to 14.99% of outstanding shares. There are no rules preventing directors from issuing additional shares on a non-pre-emptive basis at any time, but no shares have been allotted or repurchased since the IPO.

MPLF is permitted to borrow up to 20% of NAV. This limit excludes non-recourse financing obtained by MPLF Funding or any other entity in which MPLF is invested. At the end of H119, MPLF's debt to NAV was 16.1% (compared to 16.9% at FY18) and net debt to NAV was only 3.8%. Debt primarily consists of US$28.4m in 7.5% senior unsecured notes due in 2025.

MPLF Funding has a US$200m revolving credit facility (which is non-recourse to MPLF) with Sumitomo Mitsui Trust Bank at Libor+1.25% plus a 0.10% administrative fee. MPLF Funding uses this to acquire loans directly; these loans should generate net interest income while being accumulated in advance of future Marble Point CLO issuances. Due to satisfying the terms of all available extensions, the facility will mature on16 September 2021. MPLF Funding may draw on the facility up to an 80% loan-to-value ratio, and at H119 US$99.5m was drawn (78% LTV ratio).

A continuation vote will be proposed at MPLF's first AGM following the fourth anniversary of its IPO unless MPLF has raised US$400m or more in capital. If the continuation resolution is not passed, the directors are required to put forward proposals for reconstruction or reorganisation of the company for shareholder approval within six months of the vote.

Management and incentive fees

MPLF's investments are only subject to one layer of management fees, and the manager sees MPLF's overall fee structure as one of the most investor friendly among its peers.

As a rule, Marble Point receives 0.4% per annum as MPLF's investment manager. However, assets managed by Marble Point are excluded and so far all of MPLF's CLO equity investments have been Marble Point-managed assets and it is expected that they will continue to comprise the majority in the future. MPLF Funding pays Marble Point a 0.4% fee. However, MPLF's CLO debt investments, fee participation interests and Marble Point LAF are also not subject to fees.

CLOs in which MPLF is invested generally each pay management and incentive fees, which in certain cases are greater than 0.40%. MPLF indirectly bears these fees on a pro rata basis as they are deducted from the net returns of the CLOs. However, MPLF does not bear CLO management fees in excess of 0.40% per annum or CLO incentive fees in excess of 20% over a 12% hurdle. Where fees are higher, MPLF receives a fee participation interest or rebate, except where the CLO interest has been acquired in the secondary market.

Marble Point is also entitled to be reimbursed by MPLF for reasonable costs and expenses.

MPLF's total annual operating expenses in the first six months of 2019 were an annualised 141bp This excludes fees paid on underlying investments, where MPLF receives returns net of fees.

Peer group comparison

Exhibit 10 shows a comparison of MPLF with a selected peer group of funds from the AIC Sector Specialist: Debt and AIC Sector Specialist: Financials sectors that have significant holdings in CLO securities or similar investments. As MPLF was only listed in February 2019, we show performance over six months, one year and and since MPLF's inception to allow comparison to be made, while also showing longer time periods for the peers, to give greater context to the short-term performance data.

MPLF's NAV total return is the lowest in the peer group over six months and over the c 16.5 months since its inception. This is primarily due to the sharp mark down in MPLF's NAV in November and December 2018, which is due to MPLF's conservative policy to reflect market pricing in its reported NAV. This contrasts with the more widely used 'mark-to-model' valuations, which are based on expected underlying cash flows and not adjusted for trading price fluctuations. Market declines in these two months reflected redemption-driven selling by mutual funds invested in leveraged loans, rather than a high level of defaults.

Exhibit 10: Selected CLO investment peer group as at 30 August 2019* in sterling terms

% unless stated	Market cap £m	NAV TR 6 mth	NAV TR 1 year	NAV TR SI**	NAV TR 3 year	NAV TR 5 year	Premium/ (discount)	Ongoing charge	Perf. fee	Net gearing	Dividend yield
Marble Point Loan Financing	131.9	-2.1	(2.2)	5.4			(1.5)	1.41	No	116	10.2
Blackstone/GSO Loan Financing	280.3	8.6	9.4	14.2	27.4	54.2	(10.0)	0.39	No	100	12.7
Chenavari Toro Income Fund	226.4	17.0	20.0	20.6	43.6		(21.1)	1.39	Yes	100	9.7
EJF Investments	109.1	9.8	11.4	20.3			(10.1)	2.20	Yes	100	6.3
Fair Oaks Income 2017	275.6	10.0	5.3	13.5	37.8	100.4	(6.1)	0.25	Yes	100	14.9
TwentyFour Income	547.6	6.1	4.0	5.4	26.4	26.8	(4.4)	1.02	No	100	5.9
Volta Finance	218.1	9.1	7.7	12.8	40.0	74.9	(13.5)	1.89	Yes	116	9.1
Weighted average		**9.0**	**7.5**	**11.8**	**33.1**	**55.9**	**(8.9)**	1.06		**103**	**9.6**
Rank in peer group	**6**	**7**	**7**	**7**	**N/A**	**N/A**	**1**	**3**		**2**	**3**

Source: Morningstar, Edison Investment Research. Note: *Performance to end-January 2019. ** MPLF's inception (SI) date is 13 February 2018. ***Edison estimate. TR = total return in sterling terms. Net gearing is total assets less cash and equivalents as a percentage of net assets (100 = ungeared).

With its share price having moved to a discount to NAV at end-January 2019, MPLF's current 1.5% discount is lowest of the peer group. MPLF's ongoing charge (1.41bp) is above the average of the peer group but reflects its relatively recent launch. MPLF's dividend yield is slightly ahead of the peer group average.

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