

# EJF Investments

Dividend maintained

Dividend announcement

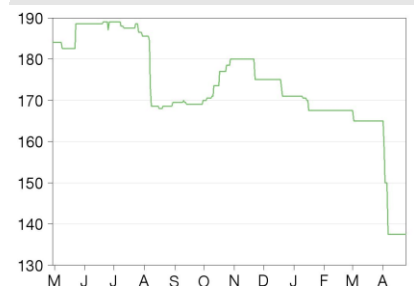
Investment companies

27 April 2020

**Price** **137.5p**  
**Market cap** **£88m**

NAV\* per share 161p  
 NAV\* at 31 March 2020  
 Annualised current yield 7.8%  
 Shares in issue 64.2m  
 Free float (estimated) 76%  
 Code EJFI  
 Primary exchange LSE – Specialist Fund Segment

## Share price performance



## Business description

EJF Investments is an investment company seeking to earn risk-adjusted returns by investing in opportunities created by regulatory and structural changes affecting the financial services industry.

## Analysts

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EJF Investments (EJFI) has announced that it will pay its 2.675p quarterly dividend on 29 May as scheduled. The decision to maintain the dividend contrasts with most of its peers, which are either suspending or reducing them. This reflects the cash-generative nature of EJFI's portfolio and that it has remained in relatively good shape. Its NAV fell by 13.6% in March, but 7.5% was FX related. COVID-19 has clouded the economic outlook and affects the high-yield credit collateral backing the CLO tranches. This in turns leads to lower valuations in the CLO equity investments that account for most of the EJFI's portfolio. However, the impact has been exacerbated by primary dealers de-risking and collateral confusion regarding what could be used for US Fed repo operations and what was eligible for the US government's Troubled Asset Relief Program. EJFI believes that with greater clarity the market disruption should subside and notes that there have been no crystallised losses in its portfolio. The current dividend yield is 7.8%.

| Year end | Share price (%) | NAV (%) | S&P Leveraged Loan (%) | Credit Suisse HY Value (%) |
|----------|-----------------|---------|------------------------|----------------------------|
| 03/18    | 30.4            | 25.7    | 4.4                    | 9.4                        |
| 03/19    | 11.2            | 11.9    | 3.0                    | 2.5                        |
| 03/20    | (4.7)           | (3.6)   | (9.1)                  | (19.4)                     |

Source: Refinitiv. Note: All % on a total return basis with dividends and in £.

EJFI's NAV had risen by 0.6% in the first two months of 2020 before the 13.6% decline in March. Leveraged loan prices have fallen with the increase of economic uncertainty and risk; the S&P Leveraged Loan Index fell 8.3% in March. If we strip away the FX loss, EJFI's NAV fell by only 6.1%. Risk retention and related assets (CLO equity tranches) account for 82% of the portfolio and contributed most of this loss.

We note that a repayment in its high yield loan portfolio to law firms engaged in mass tort litigation added US\$2.5m in liquidity. This is in line with EJFI's stated strategy of winding down this legacy asset (3.8% of the portfolio).

EJFI decided to cancel most of its forward FX hedging, which led to the 7.5% FX loss. This was done to preserve liquidity and in the face of mounting margin calls due to global funding market stresses. Currently, 25% of EJFI's US-denominated assets are hedged back to GBP.

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