

# EJF Investments Limited

## FACTSHEET

### Monthly Performance

2017	9 Feb	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Diluted NAV Per Share GBP	135	139	144	142	146								N/A
Undiluted NAV Per Share GBP <sup>1</sup>	137	141	146										N/A
Monthly Performance (gross of dividends) (%)	0.51	2.96	3.65	0.24	2.85								10.58

### Company Overview

EJF Investments Ltd ("EJFI" or the "Company") is a closed-ended investment company investing in opportunities created by regulatory and structural changes impacting the financial services sector. The Company seeks to generate risk adjusted shareholder returns by investing in a diversified portfolio of long-term, cash-flow generating assets, which may include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats issued by entities domiciled in the U.S., UK and Continental Europe.

### Target Investments

The Company seeks to achieve its investment objective primarily by investing the majority of its assets in three target investments in the financial services sector that have been impacted by regulatory and structural changes, comprising: a) Risk Retention Investments; b) Capital Solutions and Asset-Backed Securities opportunities; and c) Specialty Finance Investments.

### Manager Monthly Commentary

**NAV:** As at 31 May 2017, fully diluted NAV per share was 146 pence, representing a month on month gain of 2.85%. The Company had net assets of £70.8 million. During the month, the Company paid a 2.4 pence per share dividend in respect of Q1.

**Market:** Despite the recent news flow and volatility surrounding President Trump's administration, we continued to see a healthy stream of bank M&A activity in the month of May. As highlighted in the 30 April 2017 Performance Report Commentary, recent regulatory initiatives have continued to spur robust M&A with 25 deals announced this month. This marks a 32% increase YoY. Deal valuations increased 25% YoY as the median P/TBV reached 1.61x vs 1.29x from a year earlier. Recent actions by regulators and other authorities have been favorable to consolidation in this post-crisis environment and can be highlighted by the seminal deal between First Horizon National Corp and Capital Bank Financial Corp, which creates a surviving entity of over \$40 billion in assets. We believe this to be an encouraging indicator that there may be many more transactions to follow, and that these developments are signals of the underlying strength and the healthy prospects of the US community banking sector.

In addition to the U.S. Federal Reserve possibly raising interest rates two or more times this year, references to Fed balance sheet reduction have recently been introduced into the narrative. We believe such initiatives would be beneficial to the underlying earnings of the banking sector, which in turn supports our risk retention investment thesis. As credit metrics continue to improve, there is increased potential for banks to redeem their TruPS, which may have a positive impact on our investment portfolio.

**Portfolio Activity:** The portfolio continues to perform in line with our expectations. In May 2017, EJFI received a payment from its bridge loan investment. The payment included all current interest and deferred interest as well as a modest partial repayment of principal at a 17.5% make-whole premium which we view as being evidence of the strength of this investment. Additionally, EJFI sold one of its non-cash flowing legacy REIT TruPS CDO securities at a gain of approximately £840,000. We believe that there is growing demand for TruPS CDO securities as global investors are searching for yield, meaning there may be future opportunities to monetize some of our other non-cash flowing legacy positions.

**Currency Hedging:** EJFI entered into an additional currency hedge transaction during the month. This means the investment portfolio is almost fully hedged against foreign currency movements which we believe to be prudent given the current geopolitical and economic environment. We will continue to actively monitor our foreign currency hedges and adjust as we deem appropriate.

Your attention is drawn to the disclaimer (Important Disclosure) that begins on the second page of this document. Past performance is not indicative of future results, and there can be no assurance that EJFI will achieve comparable results, will meet its target returns, achieve its investment objectives or be able to implement its investment strategy.

### EJFI Key Facts (at 31 May 2017)

Ticker Symbol	EJFI LN
Admission Date	7 April 2017
Admission Share Price	GBP141
EJFI NAV	£70.8 million
NAV/Share	GBP146 (\$1.88 equivalent)
Target Return*	8%-10% total return
Target Dividend*	6% (payable quarterly)
Declared Dividend	GBP2.4 per share (6.8% p.a. rate)
Most Recent Payment Date	22 May 2017
Currency	GBP
Manager	EJF Investments Manager LLC (the "Manager")

<sup>1</sup>Prior to April 2017, an undiluted and a fully diluted NAV was disclosed. Beginning in April 2017, the Company recorded the fair value of the impact the unexercised warrants had on the monthly NAV had these warrants been exercised, alleviating the need to present two separate NAVs.

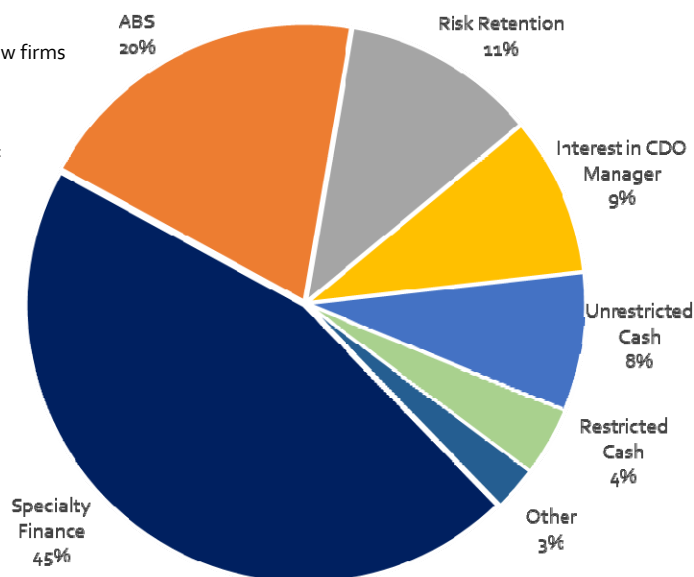
\* Per annum of Undiluted NAV per share on First Admission

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### Existing Portfolio Description (as at 31 May 2017)<sup>1</sup>

- **Specialty Finance Portfolio**
  - £8.2 million investment in a bridge loan to an affiliate of a publicly listed insurer in January 2017 (14% coupon and 3% commitment fee)
  - £24.3 million investment in portfolio of high interest rate loans to U.S. law firms engaged in mass tort litigation (the "Armadillo Portfolio")
- **ABS Portfolio**
  - Portfolio of REIT TruPS CDO securities issued prior to the financial crisis:
    - £14.2 million investment
- **Risk Retention Portfolio**
  - £8.1 million investment in the Partnership
    - TFINS 2017-1 investment closed in March 2017
- **Interest in CDO Manager**
  - 49% passive interest in five CDO collateral management contracts that provide a steady source of long-term income:
    - 10bp to 20bps annual fee based on outstanding collateral value
    - £6.6 million investment
- **Cash & Other**
  - £5.8 million unrestricted cash
  - £2.9 million restricted cash
  - £1.8 million other assets



1. Based on the Company's 31 May 2017 unaudited NAV.

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Although the portfolio reflected in this document (the "Portfolio") is consistent with the investment strategy of the Company, there is no guarantee that the portfolio acquired will be identical to the make-up of the Portfolio. Moreover, the future investments to be made by the Company may differ substantially from the investments included in the Portfolio. Therefore, the Portfolio parameters, and other factors related to the Portfolio could all be materially different than those of the future portfolio acquired by the Company.

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All investments are subject to risk, including the loss of the principal amount invested. Past performance is not necessarily indicative of future results, and there can be no assurance that the Company will achieve comparable results, will meet its target returns, achieve its investment objectives or be able to implement its investment strategy. All investments to be held by the Company involve a substantial degree of risk, including the risk of total loss. The value of Shares and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested. You should always seek expert legal, financial, tax and other professional advice before making any investment decision.

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