

# 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									N/A
Undiluted NAV Per Share GBp	137	141	146										N/A
Monthly Performance (gross of dividends) (%)	0.51	2.96	3.65	0.24									7.52

### 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 30 April 2017, fully diluted NAV per share was 142 pence, representing a month on month gain of 0.2% (gross of dividend). The Company had net assets of £68.8 million. During the month, the Company declared a 2.4 pence per share dividend in respect of Q1, which is payable 22 May 2017. In the previous monthly update the Company reported an undiluted and a fully diluted NAV (146 pence and 144 pence respectively). Going forward the Company will report a single fully diluted NAV.

**Market:** The regulatory environment continues to fuel the U.S. community and regional bank M&A wave. In March, the U.S. Federal Reserve approved a merger of banks that previously would have been deemed to pose a "systemic risk". We infer that transactions involving targets sub-\$10 billion (sub-\$2 billion prior) and banks with post-acquisition pro-forma balances sub-\$100 billion USD (sub-\$25 billion prior), do not pose a "systemic risk" to the Federal Reserve. To contextualize the significance of this approval, bank M&A since 2012 has only had 3% of deal volume involving targets greater than \$2 billion. We believe that this may have implications for Comprehensive Capital Analysis Review ("CCAR") testing, and potentially an extension of that threshold as well, which could spur more M&A activity. Indeed, the aggregate deal value in 1Q17 was approximately \$9 billion, a 41.2% increase YoY. The number of deals was 58 (versus 65 in 1Q16), but the average price-to-tangible book value was 1.65x vs. 1.25x in 1Q16, or a 33% increase. We believe that M&A will continue to be strong, benefiting from stronger currency since the election, rebounds in M&A pricing post-election, and a loosening regulatory environment that promotes consolidation.

On the interest rate front, in March the Fed raised the overnight funds rate to a target range of 0.75-1%, with the FOMC's "Dot Plot" continuing to imply 2 to 3 additional rate hikes this year. This would benefit the underlying credits as profitability is expected to increase and fundamentals could improve. The 10-year Treasury was relatively flat over the quarter, ending at 2.39%. However, the yield remains at 54bps above pre-election levels. 3-month LIBOR has increased 15bps since Jan 1, and 11bps since the beginning of the quarter. Further increases to LIBOR could translate into increased cash flow from the Company's investments in CDO securities.

**Portfolio Activity:** The portfolio continues to perform in line with management's expectations. In April 2017, EJFI received a £3.5 million distribution from Armadillo I which was primarily from an Armadillo I portfolio loan repayment. Armadillo I had its sixth loan facility repayment from a loan which had an original face value of \$10 million USD or approximately 5% of the Armadillo I's total invested capital. Armadillo I has collected a gross total of approximately \$13.5 million over the term of the loan including principal, fees and interest from the borrowing firm.

**2017 Operating costs:** EJF Capital LLC has determined that it will absorb all future ongoing operating expenses of the Company through the end of 2017. This is representative of the Manager's commitment to maximizing shareholder returns.

**LSE Admission:** EJFI introduced its shares to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange plc ("LSE") on 7 April 2017 ("Admission"). EJFI has a 12 month placing programme pursuant to which it can raise additional money, at a premium to NAV, through the issuance of up to 60 million shares.

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 30<sup>th</sup> April 2017)

Ticker Symbol	EJFI LN
Admission Date	7 April 2017
Admission Share Price	GBP141
EJFI NAV	£68.8 million
NAV/Share <sup>1</sup>	GBP142 (net dividend) (\$1.84 equivalent)
Target Return*	8%-10% total return
Target Dividend*	6% (payable quarterly)
Declared Dividend	GBP2.4 per share (6.8% p.a. rate)
Payment Date	22 May 2017
Currency	GBP
Manager	EJF Investments Manager LLC (the "Manager")

<sup>1</sup>In the Company's NAV announcement dated 19th April 2017, an undiluted and a fully diluted NAV was disclosed. In April 2017, the Company recorded the fair value of the impact the unexercised warrants had on the 30 April 2017 NAV had these warrants been exercised, alleviating the need to present two separate NAVs.

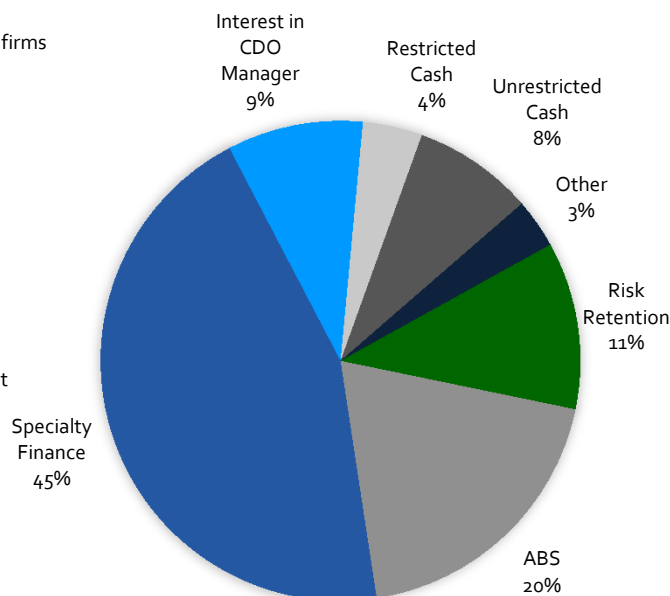
\* Per annum of Undiluted NAV per share on First Admission

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## FACTSHEET

### Existing Portfolio Description (as at 30 April, 2017)<sup>1</sup>

- **Specialty Finance Portfolio**
  - £8.3 million investment in a bridge loan to an affiliate of a publicly listed insurer in January 2017 (14% coupon and 3% commitment fee)
  - £23.8 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:
    - £13.9 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
- **Other**
  - £1.8 million financial derivative at fair value related to currency hedge
  - £0.6 million accrued interest income and prepayments



1. Based on the Company's 30 April 2017 unaudited NAV.

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## FACTSHEET

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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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