

Angelo Gordon Middle Market Direct Lending

April 2023 | SBCERS Presentation

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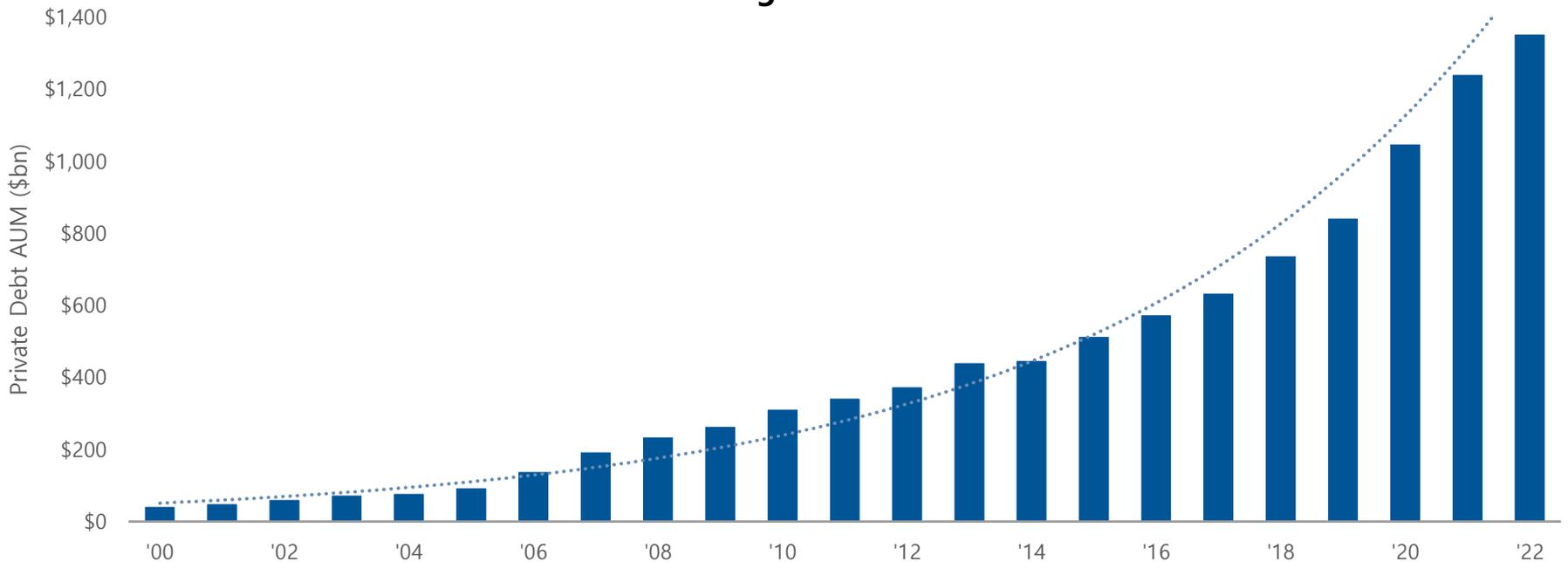
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Private Credit Market Opportunity

We believe that demand from investors seeking income, coupled with demand for capital from middle market companies, positions the asset class for continued growth.

Growing Market¹

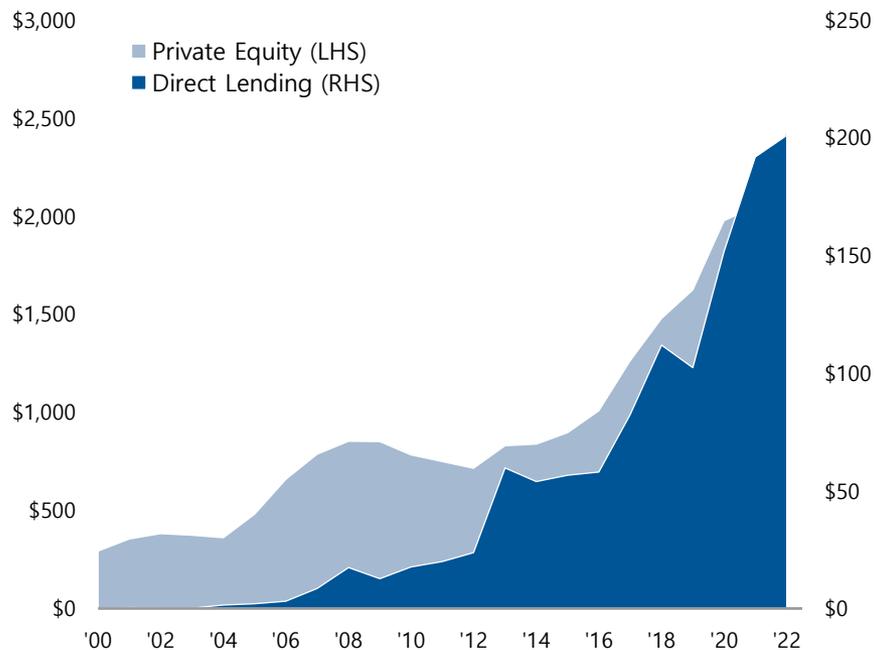


(1) Source: Preqin Market represents Private Debt AUM as indicated by Preqin through June 30, 2022. Preqin Methodology: Preqin data is created from quarterly data as supplied by managers that may be unaudited. The data may not be transparent and cannot be independently verified. In addition, data may be recalculated by Preqin without notice. The underlying funds may report audited or unaudited data. The data is not transparent & cannot be independently verified.

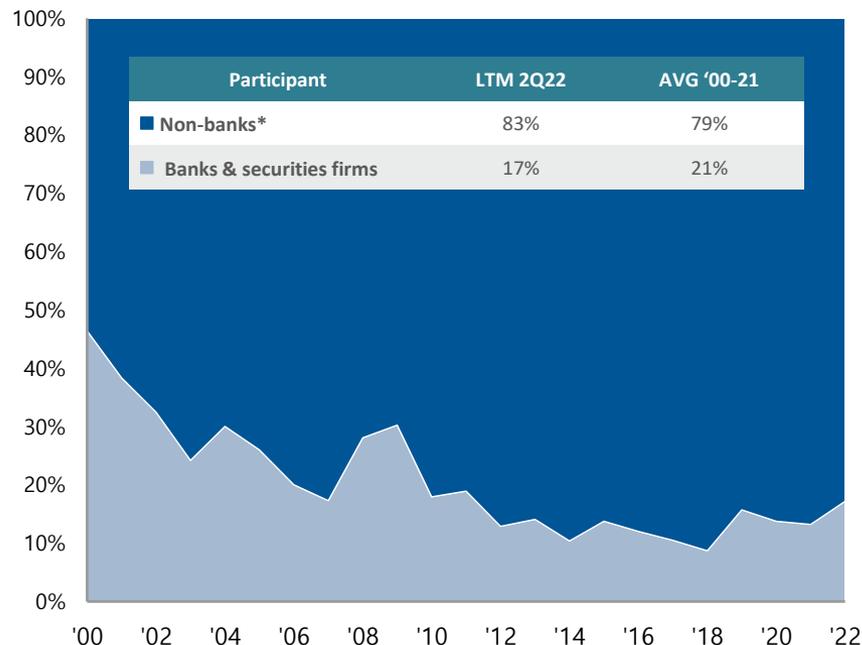
Direct Lending: Positioned for Continued Growth

Demand for capital from private equity sponsors continues to grow as banks retreat from middle market lending. Investors continue to commit capital to private equity firms, resulting in record dry powder.¹ In addition, borrowers are increasingly turning to the private market for financing.²

Dry Powder (USD \$bn)¹



Bank vs. Non-Bank Lenders²

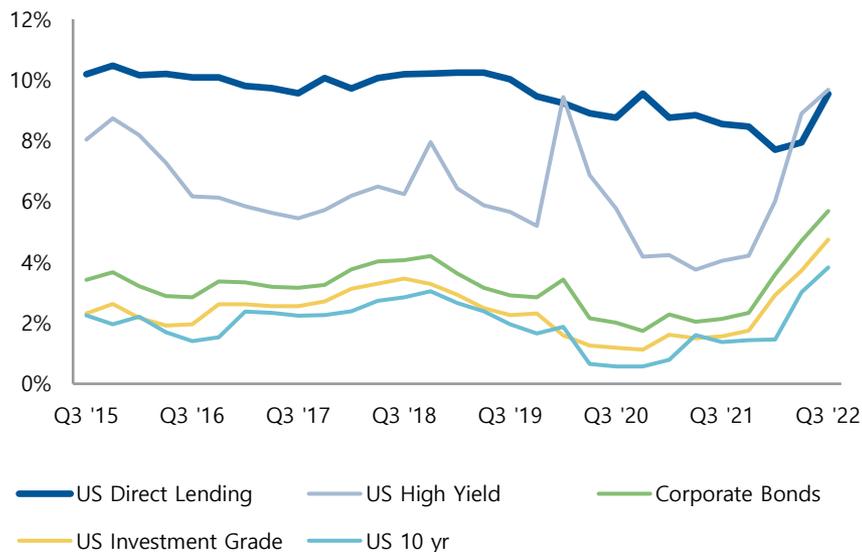


(1) Source: Preqin Dry Powder data as of December 2022. Note: Dry Powder is a term for uncalled capital commitments.
 (2) S&P LCD, Cliffwater, JPMorgan Asset Management as of June 30, 2022. US leveraged loan market participants data as of March 31, 2022. The indices used are not a full representation of the direct lending market. *Non-banks included institutional investors and finance companies. Participant data excludes left and right agents. Percentages may not sum to 100 due to rounding. Direct Lending industry composition is based on the Cliffwater Direct Lending Index. Note: Certain statements contained herein reflect the subjective views and opinion of Angelo Gordon which may not be able to be independently verified and are subject to change. Such statements cannot be independently verified and are subject to change.

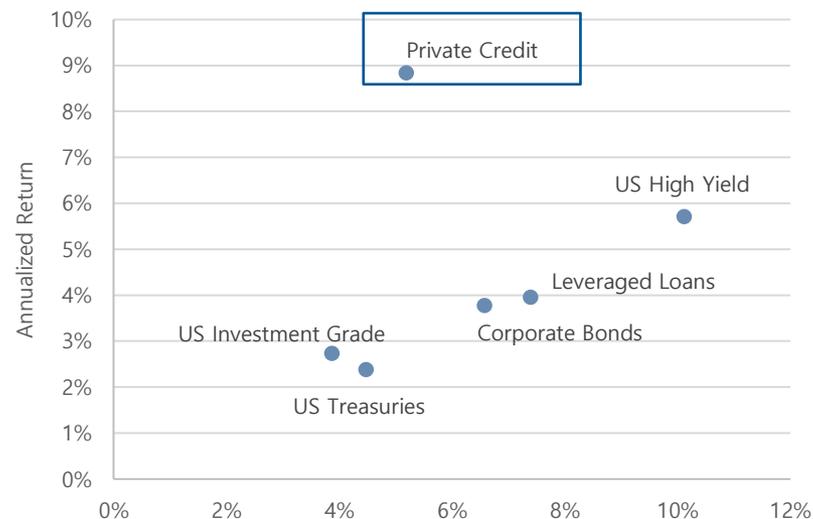
Private Credit Return Profile

Private credit seeks to deliver a contractual return from debt obligations of private companies. This market has expanded significantly over the past decade and may offer stable, attractive income irrespective of the broader market environment.

Historical Income by Asset Class



Risk-Return Profile (15 yrs)



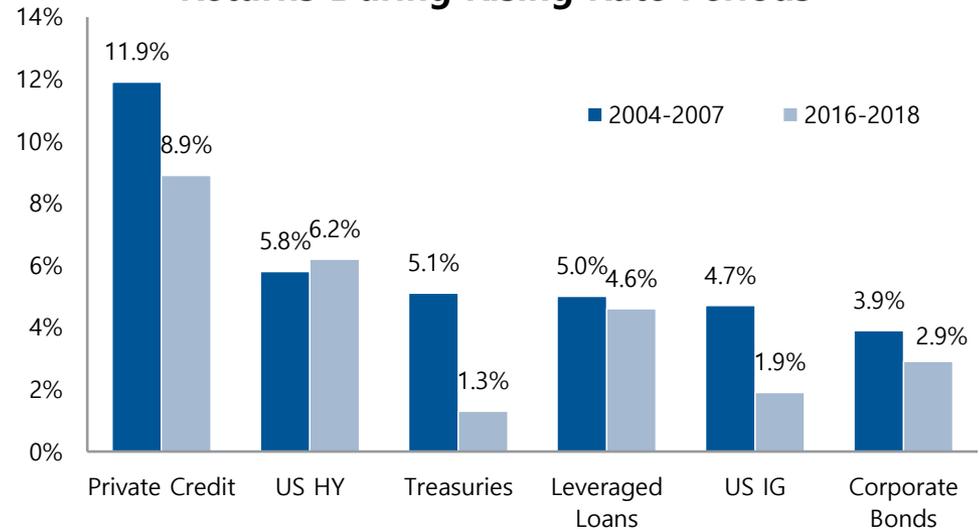
Source: Bloomberg and Cliffwater. Bloomberg data as of September 30, 2022. Volatility is measured using standard deviation. All of the quarterly standard deviations are then annualized. In the case of DPPs, standard deviation of returns does not measure the risk of the overall investment. "Private Credit" is represented by the Cliffwater Direct Lending Index. "Leveraged Loans" represented by the Credit Suisse Leveraged Loan Index. "High Yield" is represented by the Bloomberg US Corporate High Yield Index. "Corporate Bonds" is represented by the Bloomberg US Corporate Bond Index. "Investment Grade" is represented by the Bloomberg US Aggregate Bond Index. "Treasuries" is represented by the Bloomberg US Treasuries Index.

Private Credit: Resilient in Rising Rate Environments

Compared to public markets, direct lending as an asset class has historically offered positive returns in rising rate environments.

- ✓ **Floating Rate Coupons:** These may be attractive in a rising rate environment, as income can rise with rates and inflation.
- ✓ **Structural Protections¹:** Loans are directly negotiated between the lender and borrower and typically include risk mitigation mechanisms. Generally, loans are first lien and have greater structural protections compared to unsecured or high yield bonds.
- ✓ **Large Investable Universe²:** The middle market is a large universe. Lenders implement extensive due diligence processes and can be picky about the loans they pursue in their chosen market.

Returns During Rising Rate Periods³



(1) Some of the fund's debt investments may not be covered by covenants. A covenant breach or other default may adversely affect operating results. The debt of certain companies can become distressed or go bankrupt. Price stability does not indicate low volatility or stability in the true value of the underlying assets. Price and value may differ. Assets will fluctuate and may be worth less than the investors initially paid. (2) Sourcing middle market debt may be highly competitive. (3) **Past performance is not indicative of future results.** Periods shown are two periods of significant rate increases in the last 15 years. As of June 30, 2022. All data other than the Cliffwater Direct Lending Index is sourced from Bloomberg. US Direct Lending: Cliffwater Direct Lending Index, Leveraged Loans: CS Leveraged Loan Index, US High Yield:

Who is Twin Brook Capital Partners?

2014

Founded

Chicago

Headquarters

\$16.9 Billion

Asset Commitments

100

Team Members

1,350+ Closed Transactions

With Over 125 different middle market private equity firms

- Twin Brook Capital Partners is a wholly-owned subsidiary of Angelo Gordon, an SEC registered firm, focused on senior secured lending to lower middle market borrowers with less than \$25 million of EBITDA, strong historical performance and private equity ownership.
- Our middle market direct lending strategy focuses on sourcing, underwriting and actively managing a diversified portfolio of middle market, floating rate, senior secured loans (including revolvers and first liens).
- Senior members of the Twin Brook team have worked together for over 20 years.
- Since the inception of the strategy at the firm through February 28, 2023 the team has considered over 10,500 deals from over 860 unique PE sponsors. We have closed 370 platform financing deals with more than 125 different PE Sponsors, not inclusive of add-ons.
- Our strategy is focused on delivering attractive returns while minimizing volatility and protecting the downside, and thus aims to be conservatively positioned.

\$27.3 Billion

Commitments Issued to Date

1,374

Closed Transactions

Since 4th Quarter 2014 Inception

96%

Deals as Lead/Co-Lead Arranger

Recent Awards



2022 USA Lender of the Year, Small Mid-Markets¹

2021 USA Lender of the Year, Small Mid-Markets¹



2021 Private Debt – Direct Lending: AG Direct Lending Fund III^{1,2}



2020 Americas Lender¹ of the Year, Small Mid-Markets

2020 Lender, Small – Firm of the Year, U.S.A. ¹



2019 Fundraising of the Year, Americas

2019 Lower Mid-Market Lender of the Year, Americas



2019 Lender of the Year



2018 Senior Lender of the Year, Americas

Data as of February 28, 2023, unless otherwise noted. The awards referenced above are solely for informational purposes, are based in part on subjective criteria and a limited universe of nominees, may not be representative of any one client's experience with Angelo Gordon, and are not indicative of, nor should they be construed or relied upon as, any indication of Angelo Gordon's future performance.

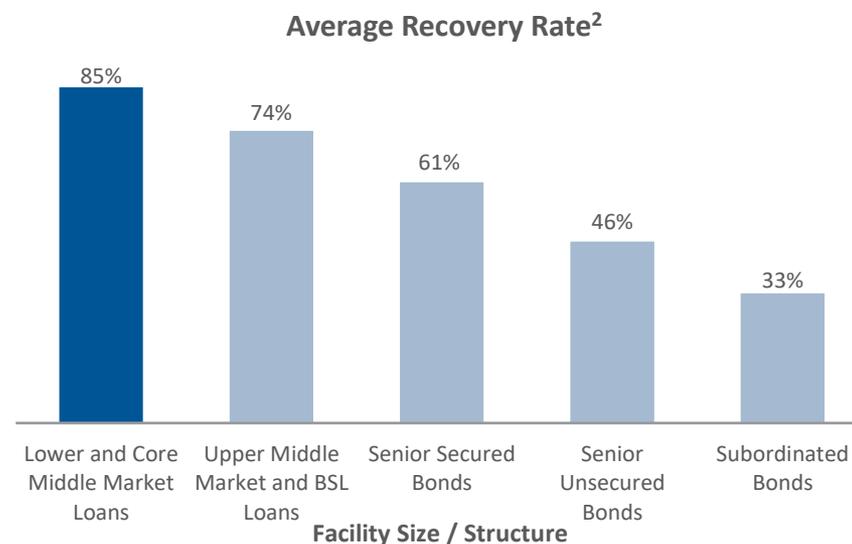
1. The Firm has paid, directly or indirectly, to attend an awards ceremony in connection with the Firm's receipt of the Global M&A Network and Alternative Credit US Performance awards.

2. The Firm provided compensation in order to use the award and recognition received from Alternative Credit US Performance Awards in these and other materials.

Middle Market Overview*

- Angelo Gordon has carefully defined the lower middle market (“LMM”) segment as its chosen market due to the historical consistency of returns.
- The LMM seeks to offer (1) moderate leverage, (2) financial covenants, (3) increased yield on assets, and (4) smaller lender groups, which have historically led to higher average recovery rates.

Market Segmentation*		Structural Considerations*		Improved Pricing*	Lending Group*
Type of Market	EBITDA Range (\$MM)	Leverage	Financial Covenants	Increased Spread ¹	No. of Lenders
BSL	>\$75	High (>6x)	None	-	50 – 75
Upper MM	\$40 – 50+	High (>6x)	None	0.25-0.50%	2 – 40
Core MM	\$25 – \$40	Moderate to High	50/50	1.25-1.50%	1 – 8
Lower MM	<\$25	Moderate	Yes	1.75-2.50%	1 – 3



*Information reflects the Twin Brook team’s subjective view and analysis of current market conditions and data. Such analysis cannot be independently verified. Actual pricing, structure, etc. may differ materially from the information presented herein. Refers to likelihood that deal terms, including but not limited to pricing spread and OID, and allocation may change during the time period from the announcement of a transaction to its pricing. Pricing varies depending on a number of variables such as size of issuer, rating, repeat issuer, leverage and industry sector. The pricing above is representative of current pricing in the market for senior transactions that also include a junior capital component.

(1) Pricing depends on a number of variables such as size of issuer, rating, repeat issuer, leverage and industry sector. The pricing above is representative of current pricing in the market for senior transactions that also include a junior capital component.

(2) Source: S&P Global Ratings, S&P Global Market Intelligence’s Credit Pro & Ratings Research. Article: Credit Trends: U.S. Recovery Study: Post-Default Recoveries Improve in 2021 As Challenges Remain. For Lower, Core, Upper Middle Market and BSL Loans, recovery rates represent the mean, discounted recovery rates of term loans with revolving credit facilities. Bond recovery rates represent the dollar weighted, nominal recovery rates for larger firms. All recovery rates are from 1987 through September 2021. Includes only debt instruments that defaulted from U.S. Issuers. Lower and Core Middle Market firms defined as firms with \$350 million or less in total debt outstanding at the time of default. Upper Middle Market and BSL Loans defined as firms with greater than \$350 million of total debt outstanding at the time of default. Recoveries are defined as the ultimate recovery rates following emergence from three types of default: bankruptcy filings, distressed exchanges, and non-bankruptcy restructurings. Recovery rates based at the instrument level and discounted using the effective interest rates. The above represents historical data and is not necessarily indicative of the performance of any fund or account.

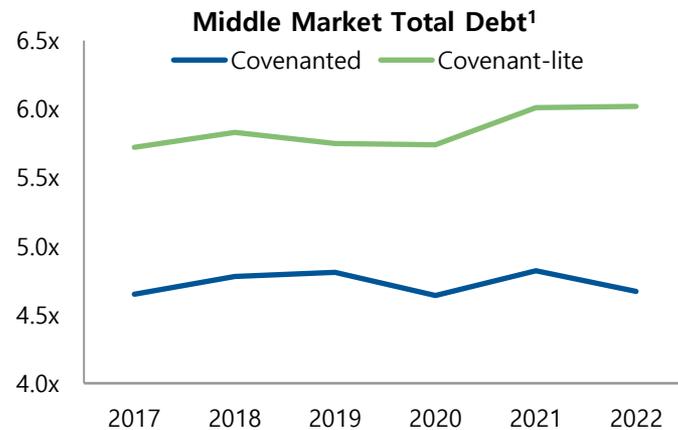
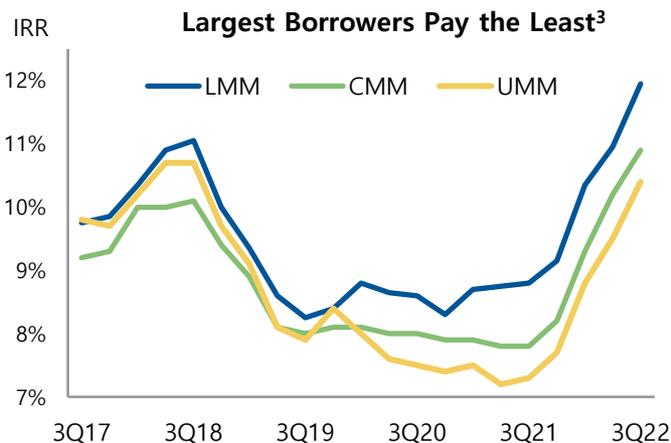
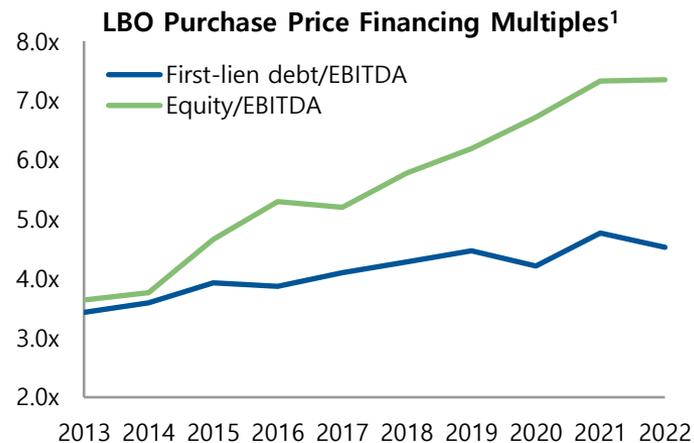
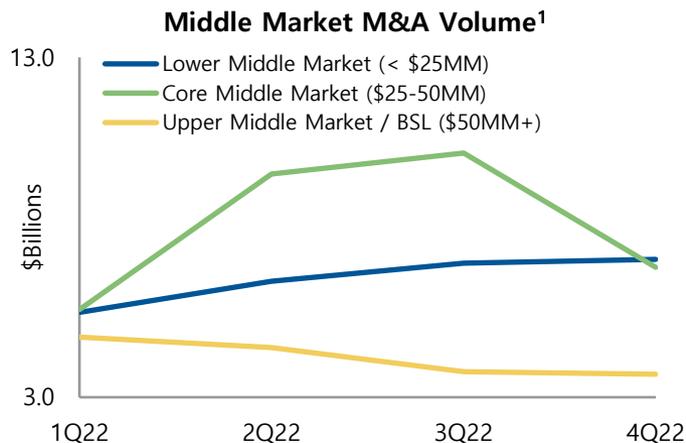
Middle Market Update

Lower Middle Market volumes remained steady while the Upper, Core, and BSL Markets demonstrated more pronounced volatility in deployment during 2022.

LBO Equity multiples have continued to increase over the past several years, while First Lien Debt to EBITDA multiples have remained steady. Thus, equity contributions by Private Equity firms have filled the gap of the closing capitalization.

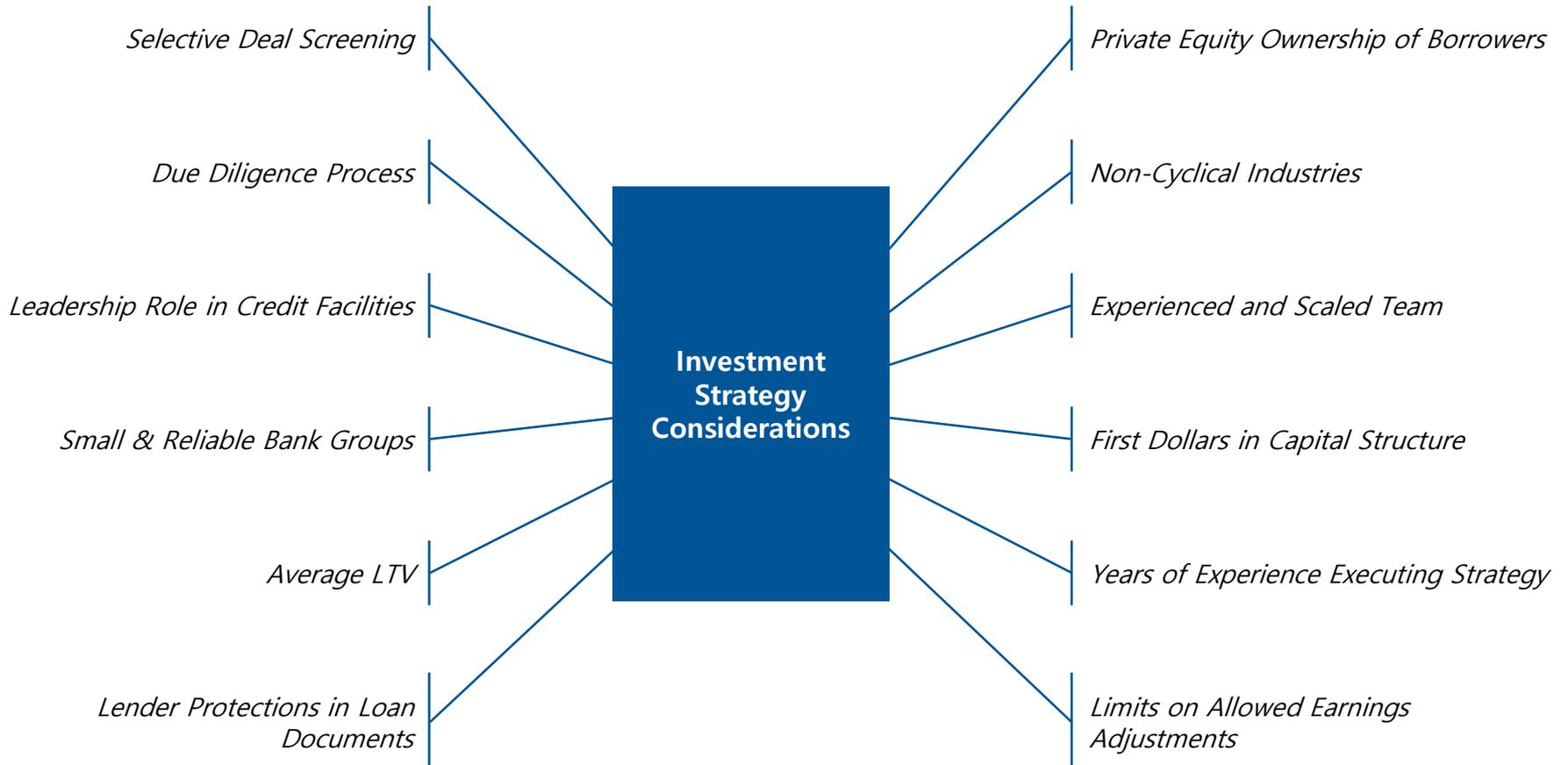
Lower Middle Market borrowers have historically produced the highest IRRs within Houlihan Lokey's Private Performing Credit Index.

We believe the LMM continues to offer attractive spreads at lower leverage levels and have decreased meaningfully in 2022.



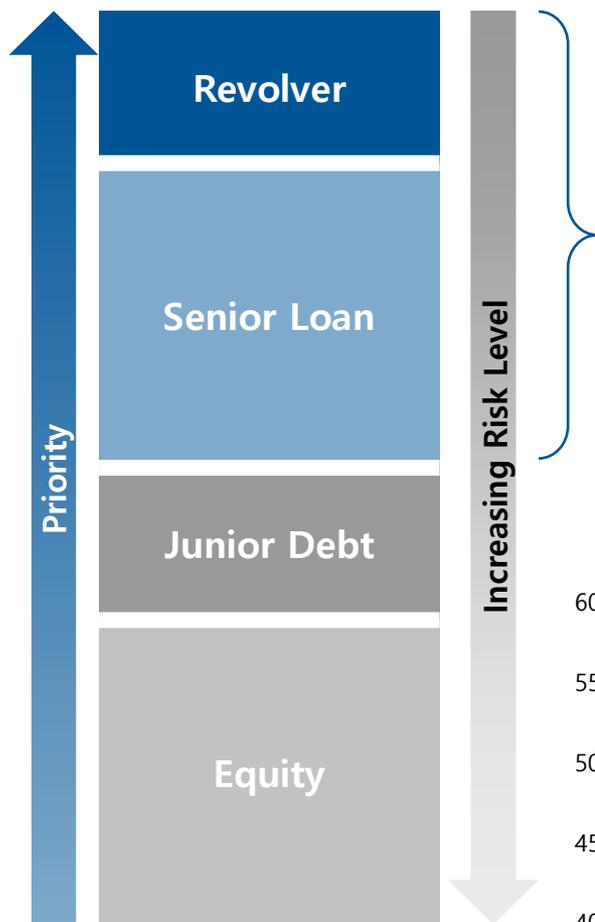
Data as of December 31, 2022 unless otherwise noted. There is no guarantee that suitable investment opportunities can be sourced.
 (1) Refinitiv LPC's 3Q22 Sponsored Middle Market Private Deal Analysis, Middle market first-lien term loan yields are based on private data submissions, which include both syndicated and direct execution deals, includes unitranche. Beginning 1Q22, data includes LIBOR and SOFR based deals
 (2) Refinitiv LPC's 4Q2022 Sponsored Middle Market Private Deal Analysis, Large MM = term loans between \$100-500 million, and Traditional MM = term loans <\$100MM
 (3) Houlihan Lokey, IRR of the Private Performing Credit Index. LMM = adjusted EBITDA of <\$20 million, CMM = adjusted EBITDA of \$20-50million, and UMM/BSL is adjusted EBITDA >\$50 million.

Strategy Considerations



Note: Reflects Angelo Gordon's views and beliefs. The summary presented herein will be superseded by and qualified in its entirety by final fund documentation. Past performance is not necessarily indicative of future results and there can be no assurance that any proposed Angelo Gordon fund or strategy will be able to achieve comparable, and that any proposed Angelo Gordon fund or strategy will be able to implement its investment strategy, achieve its investment objectives or avoid significant losses.

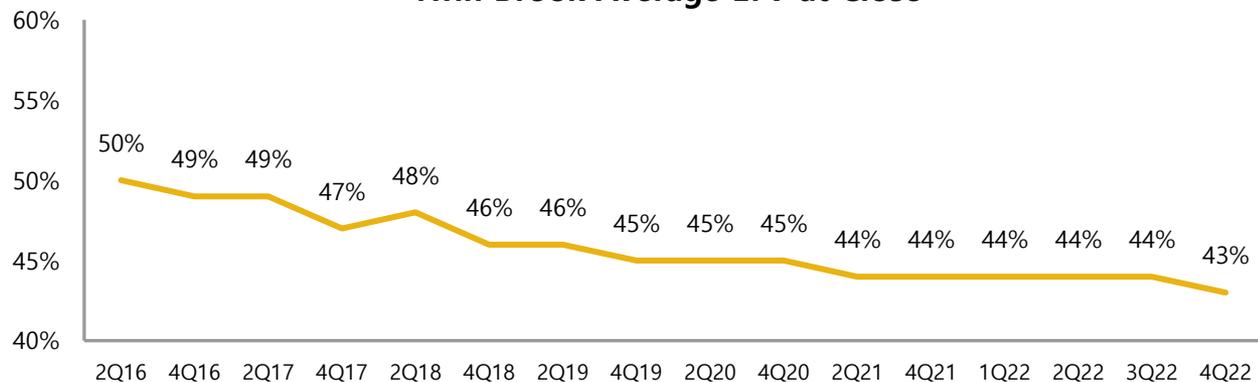
Capital Structure



Revolver Capabilities are a Competitive Advantage

- ✔ **What is a revolver?:** A revolving line of credit is a working capital line, which the borrower can draw from to fund operations. Twin Brook’s revolvers sit pari passu to the senior loan and secure the top position within the capital structure.
- ✔ **What is a senior loan?:** A senior loan is a loan issued to a company that holds a legal claim to a borrower’s assets and stock over all other debt obligations. In the event of a liquidation or bankruptcy, a first lien senior secured lender will first be repaid in full, to the extent funds are available, before all other creditors and equity holders.¹
- ✔ **What are the benefits of providing a revolver?:** Providing a revolver helps the lender gain better access to the private equity sponsor and borrower. It also provides valuable insight into the daily borrowing activities and liquidity needs of our portfolio accounts and often permits us to identify potential challenges well in advance of covenant breaches or monthly financial reporting.
- ✔ **How large are the loans compared to the portfolio company’s value?:** Historically, our closing loan-to-value (“LTV”) has been less than 50% since inception, meaning the loan is less than half of the total value of the company.

Twin Brook Average LTV at Close²



Note: Certain statements contained herein reflect the subjective views and opinion of AG which may not be able to be independently verified and are subject to change.

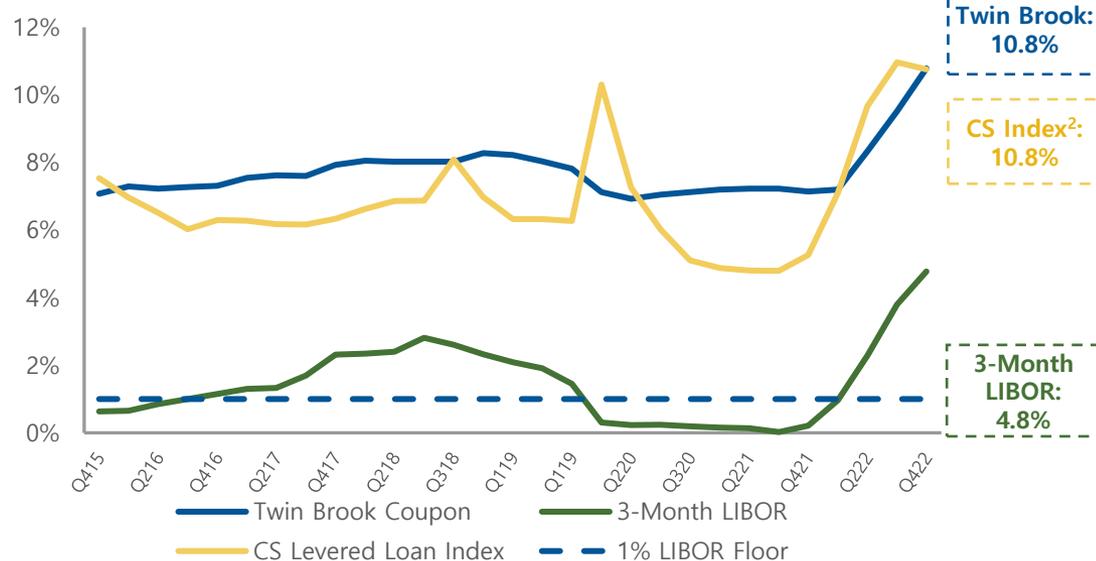
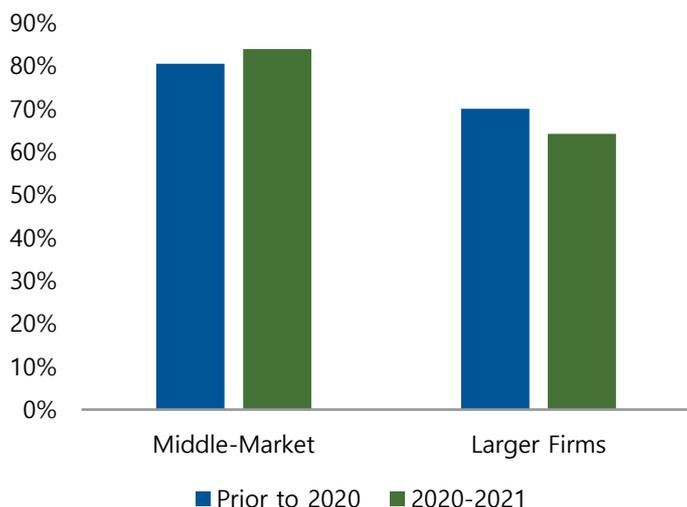
(1) This does not guarantee you will not experience a loss of principal. (2) Includes all deals across the Twin Brook platform including predecessor funds. May not be reflective of offshore vehicles. May not be representative of future portfolio LTV % or deal flow activity. Data as of December 31, 2022.

Middle Market Coupon and Recovery Rates

Lower Middle Market

- The Lower Middle Market continues to demonstrate higher recovery rates both pre and post pandemic as compared to loans from larger companies. Recoveries continue to be attributed to simpler debt structures, fewer lenders in bank groups, financial maintenance covenants, and closer monitoring through Revolver tranches.
- Since inception, Twin Brook's spreads have remained steady, compared to the Broadly Syndicated Loan and Traditional Middle Market. Twin Brook's vast sourcing network and long-standing presence in the market position us well to continue to capture market share in our targeted niche and remain active while not sacrificing deal selectivity and credit discipline.

S&P Recovery Rates⁽¹⁾



Note: Certain statements contained herein reflect the subjective views and opinions of AG which may not be able to be independently verified and are subject to change. There can be no assurance that AG will be able to source suitable investment opportunities for the Fund, that the investment objective will be successful or that losses can be avoided.

(1) Data through September 2021. Includes only loans and revolving credit facilities that defaulted from U.S. issuers. Middle-market firms defined as firms with \$350 million or less in total debt outstanding at the time of default. Sources: S&P Global Market Intelligence's CreditPro and S&P Global Ratings Research.

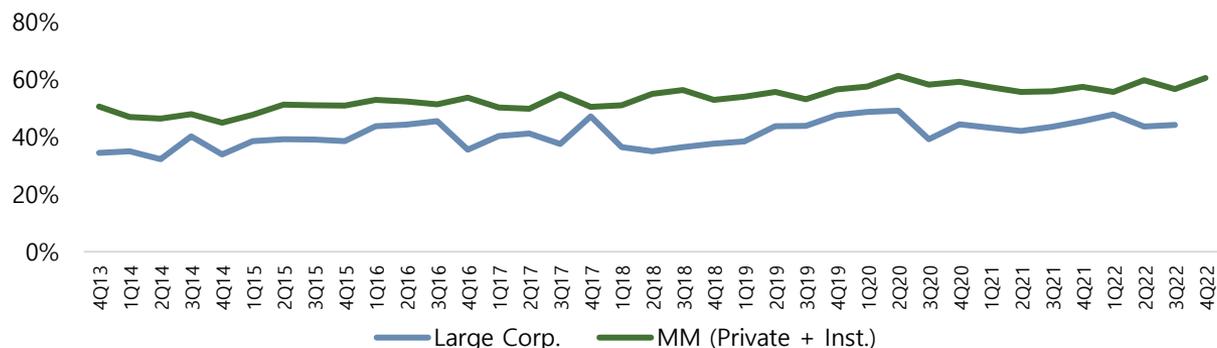
(2) Credit Suisse Leveraged Loan Index is composed of over 1,600 loans representing over \$1.2 trillion of notional value with credit ratings of CCC- to BB+. Twin Brook believes that the Credit Suisse Leveraged Loan Index is the index that best captures the performance of the entirety of the syndicated loan market, rather than just the B/BB portion or the most liquid portion. Its inclusion is intended to demonstrate how the yield on Twin Brook's portfolio has been more stable and generally higher than what has been observed in the syndicated loan market. Please refer to additional disclosures for more information.

Private Equity Sponsor Considerations

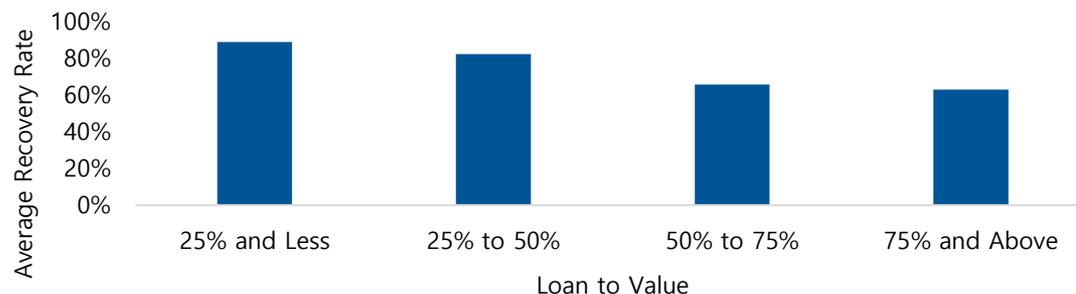
Private Equity Sponsors can play an instrumental role in bringing resources and capital to bear.

- TB partners with PE Sponsors with committed funds and capital reserves to support ongoing needs of the portfolio companies
- LBO Equity Contribution in the middle market increased to 60%+, the highest level since 2Q20¹
- Twin Brook's historical LTV is <50%
- 100% of Twin Brook's loans are PE-sponsored

Equity Contribution¹



Average Recovery Rate by LTV²



All data as of December 31, 2022 unless otherwise noted.

(1) Sources: Refinitiv LPC's 4Q22 Sponsored Middle Market Private Deals Analysis. 4Q22 not enough LBO activity in the large corporate market to report.

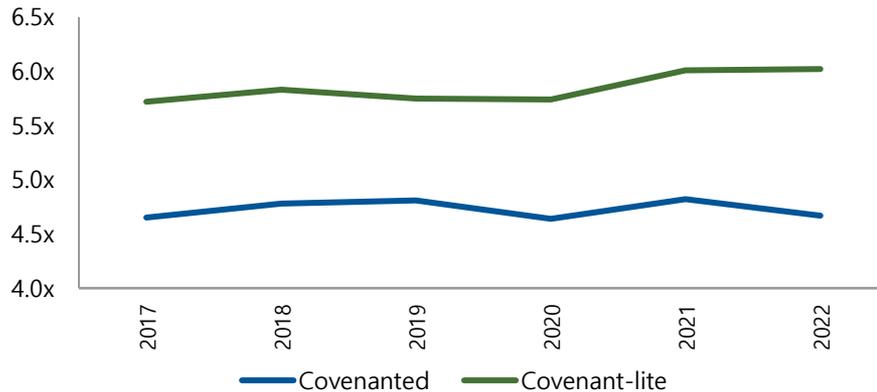
(2) Includes only first-lien term loans that defaulted from U.S. issuers and emerged from 1987 through third-quarter 2021. Sources: S&P Global Market Intelligence CreditPro and S&P Global Ratings Research.

Importance of Covenants

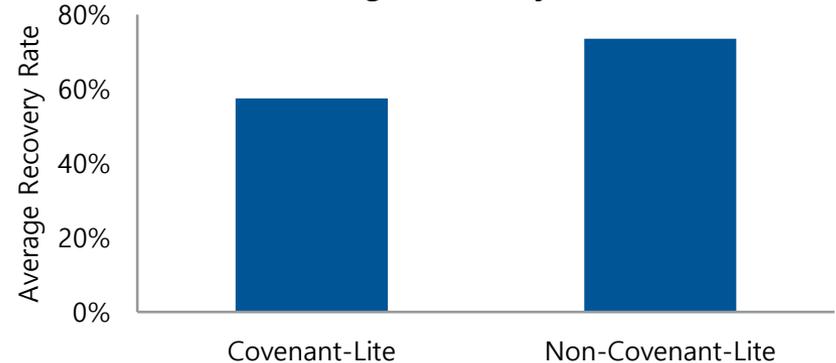
Covenants are not only critically important for value preservation but also pave the way for enhanced economics.

- On average, each loan in our portfolio has **2 covenants**: (1) a senior leverage or total leverage covenant and (2) either an interest coverage, fixed charge coverage, or maximum capital expenditure covenant, usually targeted with a 20-25% cushion, tied to the projected performance of the borrower
- The administrative agent or co-lead of a transaction will play a key role in structuring covenants and ensuring cushions are appropriate. Twin Brook is administrative agent or co-lead on over 96% of our transactions.
- Covenants, in concert with our leadership role, can help position us to earn amendment fees and often higher spreads when restructurings occur

Average Total Debt to EBITDA¹



Average Recovery Rate²



None of Twin Brook's loans are covenant-lite

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(1) Source: Refinitiv LPC's 3Q22 Private Deals Analysis

(2) Includes only first-lien term loans that defaulted from U.S. issuers. Sources: S&P Global Market Intelligence's CreditPro and S&P Global Ratings Research.

Biographies

Biographies

Drew Guyette joined Angelo Gordon in 2015 and is a Senior Partner and Co-Chief Credit Officer in the firm's middle market direct lending business, Twin Brook Capital Partners. He is responsible for overseeing the Underwriting, Credit and Portfolio Management functions. Prior to joining Angelo Gordon, Drew had been with Madison Capital, a wholly owned subsidiary of New York Life Investments, since 2007. Drew's primary responsibilities at Madison Capital included structuring, underwriting, negotiating, and managing client relationships, where he focused on generalist and technology transactions with middle market private equity sponsors. Additionally, Drew managed one of Madison Capital's Underwriting Teams of professionals. Prior to joining Madison Capital, Drew held a variety of positions at MB Financial Bank, N.A., including underwriting, portfolio management, and new business development. Drew received a B.S. in Finance from the University of Illinois, Urbana-Champaign.

Sharone BenEzra, CAIA, joined Angelo Gordon in 2012 and is a Managing Director based in Angelo Gordon's Los Angeles office. Sharone focuses on marketing and investor relations across all of the firm's credit and real estate strategies and works with a broad range of clients in the Western United States and Canada, including, public and private institutions, nonprofits, family offices and investment advisory firms. Prior to joining the firm, Sharone served as an assistant controller focusing on portfolio reporting and investor due diligence at Owl Creek Asset Management. Sharone began her career at PricewaterhouseCoopers, LLC in the firm's alternative investment management group. Sharone holds a B.S. degree from University of Texas at Austin and a Masters in Professional Accounting from the McCombs School of Business. Sharone is a Certified Alternative Investment Analyst (CAIA) and has passed all tests for a license in accountancy.

Index Definitions and Descriptions

Credit Suisse Leveraged Loan Index: Credit Suisse Leveraged Loan Index is composed of over 1,600 loans representing over \$1.2 trillion of notional value with credit ratings of CCC- to BB+. Twin Brook believes that the Credit Suisse Leveraged Loan Index is the index that best captures the performance of the entirety of the syndicated loan market, rather than just the B/BB portion or the most liquid portion. Its inclusion is intended to demonstrate how the syndicated loan market (not just the most liquid of syndicated loans) has performed over different periods.

S&P/LSTA U.S. Leveraged Loan 100 B/BB Rating Index: The index is a sub-index of the S&P/LSTA U.S. Leveraged Loan 100 Index. The full Leveraged Loan 100 Index measures the performance of the 100 largest loan facilities meeting the criteria defined in Eligibility Criteria. The index is market-value weighted. The sub-index is composed of loans with ratings between BB+ and B-, as determined by S&P Global Ratings. Twin Brook believes that the Leveraged Loan 100 B/BB index is the index whose constituents best match the credit profile of our borrowers. Its inclusion is intended to demonstrate how the most liquid of loans with similar credit quality to Twin Brook's loans have performed over different periods.



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