

## EJF Investments Limited



## MONTHLY FACTSHEET

## MONTHLY NAV PERFORMANCE

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2024 Monthly Performance (inclusive of dividends) (%)	0.80	1.10	1.10	1.26	(0.26)								<b>4.06</b>
2023 Monthly Performance (inclusive of dividends) (%)	(0.58)	1.48	(4.55)	(0.17)	0.84	(6.72)	0.91	1.63	(0.36)	0.80	(0.69)	0.25	<b>(7.27)</b>
2022 Monthly Performance (inclusive of dividends) (%)	0.13	1.34	2.22	4.01	0.72	1.87	1.09	2.73	2.47	(0.40)	(3.15)	0.20	<b>13.85</b>
2021 Monthly Performance (inclusive of dividends) (%)	1.99	0.15	2.12	0.44	(2.09)	2.80	(0.01)	0.55	3.06	(0.16)	3.25	(1.43)	<b>11.02</b>
2020 Monthly Performance (inclusive of dividends) (%)	0.47	0.18	(13.57)	0.58	3.33	0.15	1.25	0.34	0.40	(0.73)	1.16	0.25	<b>(7.02)</b>
2019 Monthly Performance (inclusive of dividends) (%)	0.35	0.41	1.77	5.61	0.83	0.26	0.56	0.62	0.21	0.04	0.13	0.63	<b>11.88</b>
2018 Monthly Performance (inclusive of dividends) (%)	8.28	0.70	0.12	2.70	2.10	1.62	0.50	2.39	0.08	0.32	0.22	(1.13)	<b>19.08</b>
2017 Monthly Performance (inclusive of dividends) (%)	0.51*	2.96	3.65	0.24	2.85	0.34	0.90	1.37	0.54	4.92	0.59	2.53	<b>23.47</b>

\*This performance reflects the period 1 February through 9 February, the Exchange Offer Completion Date.

EJF Capital LLC AUM<sup>1</sup>

\$5.9 Billion

EJFI Annualised Performance since inception<sup>2</sup> (%)

9.01

## Investment Manager Monthly Commentary

**Portfolio Activity:**

EJFI's May 2024 NAV was £98.7<sup>2</sup> million or GBp161<sup>2</sup> per share, representing a loss (inclusive of dividends) of 0.26%<sup>2</sup> for the month which was mainly driven by FX losses.

The underlying portfolio continued to show resilience and returned a 1.28% gain driven by a 1.16% return from Securitisations & Related Investments. CDO Equity Tranche prices were flat month on the month, meaning the rest of the return was driven largely by regular interest accruals. Elsewhere, MSRs were up 0.06% on account of mortgage rates movements. US Treasuries were up 0.04% and the US Bank debt portfolio was flat for the month.

In the month of May, the Company invested c.\$1m through a cross-trade with a fund managed by an affiliate of the Manager in a capital relief transaction ("CRT") bond bearing an interest rate of SOFR plus 15.50%. The bond was issued by a special purpose vehicle containing a pool of nursing home development loans originated by a small US bank with about \$16B in assets. By issuing the bond, the bank significantly reduces its required regulatory capital on that pool of loans that are carried on the bank's balance sheet. The Manager believes that future CRTs on strong loan pools originated by small US banks may be a growing and attractive opportunity for the Company as it presents a favorable risk/reward security consistent with the Manager's expertise in regulatory related debt issued by small US banks. During the month the Company also sold its final European debt position realizing a 0.03% gain for the month.

The US Dollar depreciated against Sterling during the month resulting in a 1.22% loss. The Company continues to hedge approximately 55% of its underlying US Dollar asset exposure as at month end.

**Market:**

US Bank equities staged a modest rally during May as interest rates declined after relatively in-line inflation readings. Additionally, M&A activity in the US banking sector continued to heat-up. On the other hand, small and mid-sized banks with high concentrations of commercial real estate ("CRE") exposure remained out of favor during the month. In particular, Bank OZK ("OZK") received a downgrade rating to sell by Citigroup research analysts primarily related to specific, outsized development loan relationships. Subsequent to month-end, Axos Financial ("AX") also saw a negative report by Hindenburg Research related to its underwriting of CRE loans. Both OZK and AX responded with fact-based counterpoints to combat these short narratives. In reviewing each of these situations, the Manager believes that much of the analysis is rooted in conjecture and fear which are difficult to refute in the near-term. Of the two, the Company has exposure to debt issued by OZK through its CDO Equity Tranche investments. The Manager has no current concerns around the credit quality of this exposure and in the unlikely event of a default without any recoveries, expected potential loss would be less than 1.5% of NAV on a look through basis. The Manager remains of the view that most traditional commercial real estate loans outside of CRE Office are likely to fare well this cycle as long as interest rates do not climb to much higher levels and stay at those higher levels for a long period of time.

On 20 May 2024, SouthState Corp announced the acquisition of Independent Bank Group ("IBTX") in Texas in an all-stock transaction valued at approximately 1.48x tangible book value. The combined company will have nearly \$65 billion in assets and have a footprint throughout the southeast and southwest US. This is the second deal announced in the past month with an acquirer crossing through the \$50 billion in asset threshold. The Manager believes that the management teams spent a great deal of time with regulators on this potential combination and, thus, view an approval as quite likely. Lastly, the Manager was surprised at the low valuation that IBTX was willing to accept given their earnings power is at a cyclical low today. The Manager believes that there is some chance that a higher bid could emerge, as franchises similar to IBTX have sold for closer to two-times tangible book value in the past. EJFI has exposure to IBTX through its CDO Equity Tranche investments. An acquisition of IBTX should be accretive in value as the combined entity will be a stronger issuer.

## EJFI Key Facts (as of 31 May 2024)

<b>Ticker Symbol</b>	EJFI LN
<b>NAV/Share</b>	GBp161 (\$2.05 equivalent)
<b>Share Price</b>	GBp101.0
<b>Share Price (Discount) to NAV</b>	(37.3)%
<b>EJFI NAV</b>	£98.7 million
<b>Market Cap</b>	£61.8 million
<b>Gross Asset Value</b>	£124.0 million
<b>Target Return</b>	8%-10% total return p.a.
<b>Quarterly Dividend<sup>1</sup></b>	GBp2.675 per share (GBp10.7 per share p.a.)
<b>Dividend Yield</b>	10.6% p.a. (share price)
<b>Hedging ratio<sup>2</sup></b>	55.0%
<b>Gearing ratio<sup>3</sup></b>	25.2%
<b>Ongoing Charges<sup>4</sup></b>	1.2% (1.8% gross of Manager reimbursement)
<b>2025 ZDP Shares</b>	Ticker: EJF0 LN Shares: 19.3m, Maturity: 6/2025 Capital Entitlement: GBp140.0 Current Share Price: GBp128.5

<sup>1</sup>The Company targets an annual dividend of 10.7 pence per share for the financial year to 31 December 2024, to be distributed evenly in four quarterly payments.

<sup>2</sup>The Company's base currency is denominated in GBP, though most of the Company's investments are currently in USD. As of 31 May 2024, USD 85.3m of approximately USD 155.0m exposure is hedged.

<sup>3</sup>Gearing ratio is computed as current accreted value of ZDP Shares over the NAV of the Company.

<sup>4</sup>For FY 23 and calculated in line with Association of Investment Companies ("AIC") recommended methodology. Manager Reimbursement reduced from 60% for FY23 to 10% until 30 June 2024.

<sup>1</sup>AUM includes \$3.0 billion of CDO managed assets and \$165.3 million of uncalled capital as at 31 March 2024. <sup>2</sup>Based on the Company's 31 May 2024 unaudited financials.

Your attention is drawn to the disclaimer (Important Disclosure) that begins on the third 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.

# EJF Investments Limited



## MONTHLY FACTSHEET

### Existing Portfolio Breakdown<sup>1</sup>

#### Securitisations & Related Investments

- £74.7 million investment in 7 CDO Equity Tranches of securitisations sponsored by EJF Capital LLC
- £5.1 million investment in EJF CDO Manager LLC (49% ownership interest)
- £4.7 million investment in 7 Mezzanine debt securities of securitisations sponsored by EJF Capital LLC
- £1.0 million investment in a TruPS CDO security

#### Specialty Finance Investments

- £9.0 million investment in a portfolio of mortgage servicing rights ("MSRs")

#### Capital relief transaction

- £0.8 million in one Capital relief transaction ("CRT")

#### U.S. Treasuries

- £3.3 million in U.S. Treasury bills to partially hedge MSRs

#### U.S. Bank debt

- £1.5 million in one subordinated debt instrument issued by a US Bank

#### Cash and Cash Equivalents

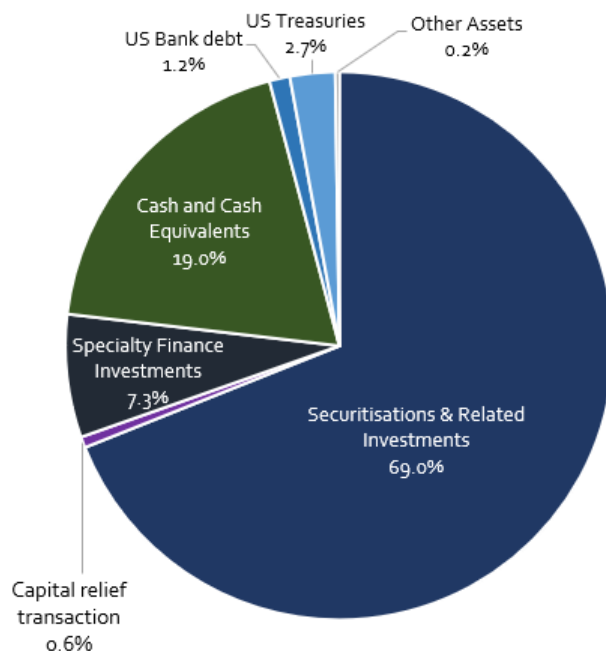
- £2.8 million unrestricted cash
- £3.1 million restricted cash<sup>2</sup>
- £17.6 million in a money market fund

#### Other Assets

- £0.3 million of other assets

<sup>1</sup>Based on the Company's 31 May 2024 unaudited financials.

<sup>2</sup>Including an unrealised gain on forward currency contracts of £1.1 million.



## COMPANY OVERVIEW

EJF Investments Ltd ("EJFI" or the "Company", together with its subsidiary the "Group") is a Jersey incorporated, closed end investment company. EJFI's shares are traded on the Specialist Fund Segment of the London Stock Exchange.

EJFI offers exposure to a portfolio of loans to US financial institutions and related assets, with an emphasis on floating rate debt. EJFI's objective is to provide shareholders with attractive risk adjusted returns via regular dividends and capital growth over the long term.

## PORTFOLIO OVERVIEW

EJFI primarily invests in a diversified portfolio of debt issued by smaller US banks and insurance companies via CDO Equity Tranches, where the CDOs were structured by an affiliate of EJF Capital LLC.

EJFI owns a 49% interest in EJF CDO Manager LLC (the "CDO Manager") that manages CDOs and generates regular income. EJFI also invests in Specialty Finance Investments, including Mortgage Servicing Rights ("MSRs") which provide regular income in exchange for servicing pools of US mortgages.

EJF Investments Manager LLC (the "Manager")	U.K. Office	11 Berkeley Street, 5th Floor, London, W1J 8DS	Info@ejfi.com
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Barclays Bank PLC	U.K. Office	1 Churchill Place, London E14 5HP	barclaysinvestmentcompanies@barclays.com
BNP Paribas S.A, Jersey Branch	Jersey Office	IFC1, The Esplanade, Saint Helier, Jersey, JE1 4BP	jersey.bp2s.ejf.cosec@bnpparibas.com

# EJF Investments Limited



## MONTHLY 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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