Oaktree - RDL
Oaktree Sends Letter to Ranger Board of Directors Regarding Strategic Review
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LOS ANGELES--(BUSINESS WIRE)--

Funds managed by Oaktree Capital Management, L.P. ("Oaktree"), an 18.56% shareholder of Ranger Direct Lending Fund PLC (LON: RDL) ("Ranger" or "RDL" or "Company"), sent a letter to the Ranger Board of Directors on April 11, 2018 regarding its ongoing strategic review process proposing that the Board implement a wind-down strategy for the Company.

The full text of the letter is as follows:

April 11, 2018

Ranger Direct Lending Board of Directors ("Board"):
Mr. Christopher Waldron
Mr. Jonathan Schneider
Dr. Matthew Mulford
Mr. Scott Canon

CC: Mr. Gavin Kelly, Kinmont Advisory

Dear Directors of Ranger Direct Lending,

As you know, funds managed by Oaktree Capital Management, L.P. ("Oaktree") have recently disclosed an 18.56% ownership stake in Ranger Direct Lending plc ("Company" or "Ranger" or "RDL"), making us the Company's second largest shareholder. We are writing to you in the context of RDL's ongoing strategic review process and as a follow-up to our team's phone conversation today with Chairman Christopher Waldron and Gavin Kelly.

Oaktree's Increasing Concerns over Ranger's Viability

Since our prior discussion with Mr. Waldron in February, Oaktree has further deliberated about Ranger's future and how we can best support the Company and its Board. In light of your invitation for Oaktree to make a proposal for the investment management contract, we contemplated a range of possibilities for Ranger including a continuation of or change in strategy based on information available in the public domain. Unfortunately, after careful consideration we could not see a viable path forward that either Oaktree or indeed any other investment manager could propose for the vehicle for a number of fundamental reasons:

- Ranger is a sub-scale platform and its shares are too illiquid to attract large institutional investors, especially in light of its persistent trading discount to Net Asset Value;
- Ranger operates in niche asset classes that are becoming increasingly competitive and are difficult to scale;
- Ranger’s return targets are increasingly difficult to achieve in the current credit market environment;
- Ranger’s Princeton exposure is highly troubled and there is currently no resolution in sight;
- Ranger is below its high-water mark;
- Introducing a new manager adds meaningful transition risk to Ranger shareholders, especially in light of the ongoing Princeton legal process;
- Adding a co-manager also adds meaningful risk in that it may lead to suboptimal decision-making and misaligned incentives;
- Ranger’s evergreen vehicle structure is not ideally suited to its specialty credit strategies;
- The UK listing of a predominantly North American credit portfolio is an historical anomaly and has little capital markets rationale going forward.

We have now come to the conclusion that RDL shareholders’ interests are best served by winding down the Company and returning its capital to its shareholders, which represents both the lowest risk and highest return path forward. Oaktree urges the Board to recommend the wind-down of RDL to its shareholders as its preferred option in the ongoing strategic review process.

Ease of Winding-Down

It is important to note the relative ease and low cost of winding-down Ranger compared to many other investment trusts. First, Ranger’s investment portfolio is relatively short-duration, and if the Company simply ceases recycling its capital into new loans, the vast majority of the portfolio will convert to cash within eighteen months. Second, there would be a very limited human resources impact because Ranger employs only a nominal corporate staff, given that it originates all of its loans via third party platforms. And third, the impact to Ranger’s sourcing platforms is expected to be very limited given that they are generally well-funded by numerous other funds, including an increasing number of Ranger’s better-capitalized competitors.

Oaktree's Resources to Support the Board

We would strongly support such a recommendation from you and would offer to work with you in three important ways:

- We would publicly endorse the Board's decision and put the full weight of our shareholding and Oaktree's reputation behind it;
- We would work with you to re-incentivize the current Ranger management team and Board to fully align their interests with those of all RDL shareholders;
- We are willing to support the wind-down effort by nominating up to two highly qualified nonexecutive directors to join the Board at your invitation. Aside from committing valuable resources, we believe that RDL shareholders would take comfort from such additional oversight.

We would appreciate if you could kindly respond by April 18, 2018, after which date we will consider making this letter public in order to engage openly with a broader group of stakeholders.

Sincerely,
/s/ Patrick M. McCaney
Patrick M. McCaney
Managing Director and Portfolio Manager
Value Equities
Oaktree Capital Management, L.P.

Ranger Direct

Response to Oaktree

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Ranger Direct Lending Fund PLC
24 April 2018

24 April 2018

For immediate release

Ranger Direct Lending Fund plc

("Ranger" or the "Company")

Response to Oaktree

The Board notes today that Oaktree Capital Management, L.P. ("Oaktree"). has publicly released private correspondence between itself and the Board of Ranger.

On 29 January 2018 the Company announced that an independent committee of the Board was conducting a review of the Company's future investment management arrangements and that an Independent Valuer had been appointed to value the Company's portfolio other than the Princeton assets (together, the "Review Process").

The Company notes that Oaktree's announcement today merely publishes their letter dated Wednesday 11th April 2018 in which they relayed the "conclusion" that a winding down was the best way forward for the Company. Since the receipt of Oaktree's letter, the Company and its advisors have communicated to Oaktree that all of the relevant issues raised by Oaktree are already being dealt with as part of the Review Process. The only conclusion which can be drawn from this sequence of events is that Oaktree had no serious interest in engaging in the Review Process and their course of action was solely driven by their short-term considerations.

With the Review Process completed on schedule, the Board is now engaged in an active and positive discussion with shareholders regarding the future of the Company (including addressing the issues raised in the Oaktree announcement), ahead of the publication of the findings. It is essential to the future of Ranger as a successful public company to achieve sufficient consensus between the Board and shareholders on the Company's future direction. To deliver this outcome requires a detailed and measured dialogue with shareholders.

The Company has obligations to its ZDP shareholders. Oaktree's announcement today offers no detail on how those obligations would be met. During a dialogue with Oaktree on 23rd April 2018, in answer to specific requests for information, Oaktree and its advisors were unable to offer the Company any information of substance around a plan for dealing with the contractual rights of the ZDP shareholders or balancing these interests with Ordinary Shareholders.

The Review Process has considered the possibility of a full or partial winding down of the Company's activities and returning cash to shareholders. The Board has a duty to act in the interests of all shareholders and, therefore, must seek to achieve the best capital value for the Company's assets and protect dividend flows. In the view of the Board, Oaktree's approach will accomplish neither of those objectives and lead to an extended period of uncertainty for shareholders. In respect of capital value and dividend flows the Board reiterates its view that Oaktree's approach is driven by its own short-term interests.

As noted above, the Board's findings on the Review Process including manager selection and investment policy and the independent valuation of the portfolio (other than the Princeton assets) will be published shortly.