

# AG Twin Brook Capital Income Fund (TCAP)

A Leader <sup>1</sup> in Lower Middle Market Direct Lending

## Our Philosophy\*:

### Seniority

**100%<sup>2</sup>**

senior secured first lien direct lending

### Success

**0.01%<sup>3</sup>**

annualized loss rate

### Sourcing

**100%**

sponsor-backed lending with

**12,000+**

deals received since inception and

**<4%**

of deals closed

### Selectivity

**0%<sup>4</sup>**

Covenant-lite loans

### Strength

**11.4%<sup>5</sup>**

annualized distribution rate

TCAP is managed by TPG Angelo Gordon's middle market direct lending business, Twin Brook. TPG Angelo Gordon is a diversified credit and real estate investing platform within TPG.

**35+**

years of investment experience<sup>6</sup>

**\$80B**

assets under management<sup>6,7</sup>

**700**

employees globally<sup>6</sup>

## Why Lower Middle Market Direct Lending?

**We believe Lower Middle Market (LMM) lenders have more control and face less competition:**

- **Tighter financial covenants** that may include requirements for the borrower and to de-lever over time
- **Fewer lenders with scale** generally leads to better terms and improved pricing
- **In approximately 97% of deals**, TCAP plays a vital role in loan documentation and covenant construction

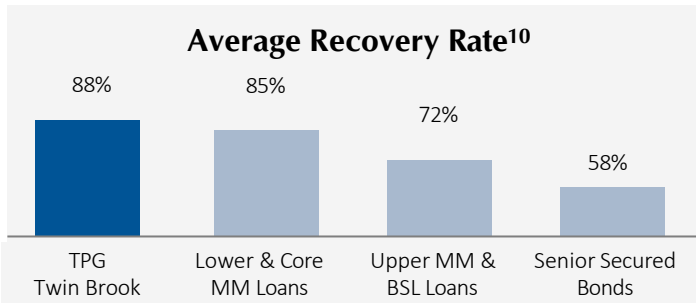
Market Segmentation <sup>8</sup>		Structural Considerations <sup>8</sup>		Improved Pricing <sup>8,9</sup>	Lending Group <sup>8</sup>
Type of Market	EBITDA Range (\$MM)	Leverage	Financial Covenants	Increased Spread	No. of Lenders
Broadly Syndicated Loans ("BSL")	>\$75	High (>6x)	None	-	50 – 75
Upper MM	\$40 – 50+	High (>6x)	None	0.25-0.50%	2 – 40
Core MM	\$25 – \$40	Moderate to High (4.5x-6.0x)	50/50	1.25-1.50%	1 – 8
Lower MM	<\$25	Moderate (3.0x-4.5x)	Yes	1.75-2.50%	1 – 3

\*TCAP's investments will be in companies with credit ratings below investment grade. While senior loans may mitigate risk, they do not eliminate risks involved.

Data as of June 30, 2024, unless otherwise noted.

1. TPG Twin Brook believes it offers leading access to the lower middle market due to its established origination capabilities and potential barriers to entry created by the senior team's longstanding focus on this market.
2. Represents senior secured first lien debt as a percentage of TCAP's total debt investments and excludes TCAP's equity investments.
3. Data as of March 31, 2024. Represents the annualized loss rate across all of TPG Twin Brook's loan investments across all managed funds, including TCAP. To date, TCAP has no realized losses. Loss rate is calculated as invested capital less repayments. Excludes any interest, fees, PIK payments, or other income received.
4. TCAP has no restrictions on the types of middle market loans that it makes and therefore, may make covenant-lite (i.e. loans with no covenants), unsecured, and/or structurally or contractually subordinated investments. It is possible that some of the debt acquired may be with companies that later have impairments and become distressed or go bankrupt.
5. Annualized distribution rate reflects the current month's distribution annualized and divided by the last reported net asset value from the prior month.
6. Data as of March 31, 2024. These statistics are related to Angelo, Gordon & Co., L.P. (TPG Angelo Gordon).
7. TPG Angelo Gordon's current stated AUM of approximately \$80 billion as of March 31, 2024 reflects, fund level asset related leverage. For a description of the factors TPG Angelo Gordon considers when calculating AUM, please see the disclosure linked [here](#).
8. Information reflects the TPG Twin Brook team's subjective view and analysis of current market condition 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.
9. Pricing depends on a number of variables such as size of issuer, rating, repeat issuer, leverage, and industry sector. TPG Twin Brook views the pricing above as representative of current pricing in the market for senior transactions that also include a junior capital component.

# Why TCAP?



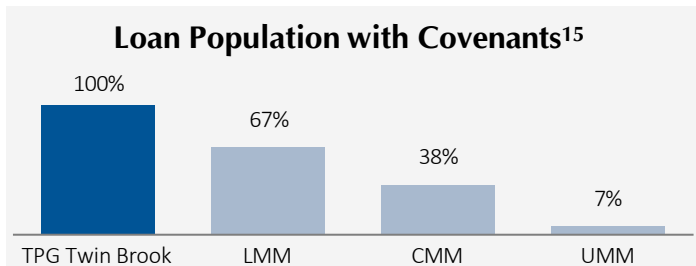
## We believe TCAP may offer strong risk-adjusted returns:

- **Lower payment defaults<sup>11</sup> and higher recovery rates** are typical in TCAP's Lower Middle Market (LMM) strategy
- **The potential for attractive returns** via:
  - Increased spread income relative to the Upper Middle Market (UMM)
  - Upfront fees from administrative agent role<sup>12</sup>
  - More sizable Original Issue Discounts (OID)

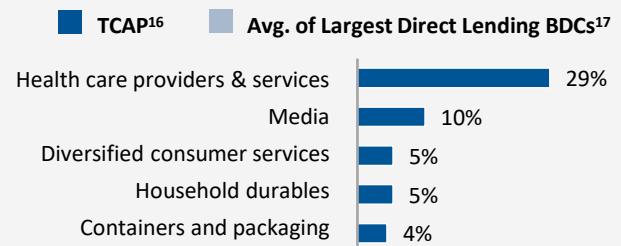
# Why now?

## We believe TCAP offers direct lending portfolio diversification and the ability to generate durable returns against macro risk:

- **Meaningful sector and cash flow diversification**, given the LMM represents ~40% of the total private equity market<sup>13</sup>
- **100% inclusion of covenants**, along with strong lender protections<sup>14</sup>, helps mitigate downside macroeconomic and credit cycle risk
- **100% floating rate structure** offers attractive upside when rates and inflation rise

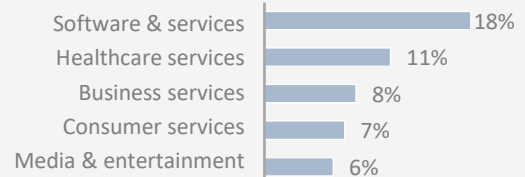


## Top 5 Industry Exposures (TCAP vs. Other BDCs)



### TCAP Avoided Industries<sup>18</sup>

- Vice Industries
- Oil & Gas
- Retail
- Restaurants
- Hotel / Leisure / Travel
- Agriculture
- Airlines
- Volatile Commodity & Raw Materials
- Highly Cyclical Industries



10. Source: S&P Global Ratings, S&P Global Market Intelligence's Credit Pro & Ratings Research. Article: U.S. Recovery Study: Loan Recoveries Persist Below their Trend. 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 2023. 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. TPG Twin Brook represents a cumulative recovery rate from firm inception in 2014 through 2023.

11. TPG Twin Brook has experienced 15 payment defaults since inception in 2014 and has successfully managed through these situations as evidenced but a 0.01% annualized loss rate since inception. Annualized loss rate calculated on total par of committed debt (included unfunded DDTLs and Revolvers) of the 15 positions that have experienced payment default.

12. Refers to when TPG Twin Brook serves as administrative agent in connection with a loan investment. TCAP receives its allocable portion of the fee received in connection with such role.

13. Lower Middle Market defined here as private equity fund sizes between \$100 million and \$1 billion. Based on all PE deals in Pitchbook database globally. Source: Pitchbook, data as of December 2022.

14. Lender protections are structural elements of a loan investment that serve to strengthen the lender's position. These may include, but are not limited to, first lien perfected security interests on tangible/intangible assets of a portfolio company and covenant packages with both financial and negative covenants.

15. Source: Pitchbook LCD; Deal Size LMM=<\$200 million, CMM=\$200-350million, and UMM=\$350-500million.

16. Data as of June 30, 2024. Industry categories measured as the fair value of investments relative to the total fair value. Totals may not sum due to rounding and/or limited number of categories presented.

17. Source: Average industry exposures based on the public SEC filings as of September 30, 2023 of 9 direct lending BDCs (Apollo, Ares, Blackstone, Golub, HLEND, MidCap, Oak Tree, Blue Owl, T.Row/Oak Hill), which were selected from top 30 the BDCs with the highest ranking 2023 sales, according to the Stanger Market Pulse, as the BDCs with the most relevant investment strategies.

18. While the Upper Middle Market (UMM) is often overallocated to high tech industries, TCAP focuses on industries it views as less cyclical like healthcare and aims to avoid cyclical industries like technology, retail, aviation, and others.

## Important Disclosure Information

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## Summary of Risk Factors

AG Twin Brook Capital Income Fund ("TCAP") is a non-diversified, closed-end management investment company that has elected to be regulated as a business development company ("BDC"). TCAP is externally managed by our adviser, AGTB Fund Manager, LLC (the "Adviser"). The Adviser is an affiliate of Angelo, Gordon & Co., L.P. ("TPG Angelo Gordon"). Foreside Financial Services, LLC, an unaffiliated third party, serves as TCAP's intermediary manager. Investing in TCAP involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment. You should read the prospectus carefully for a description of the risks associated with an investment in TCAP. These risks include, but are not limited to, the following:

- We have limited operating history and there is no assurance that we will achieve our investment objectives.
- We cannot guarantee that we will be able to replicate the historical results achieved by other TPG Angelo Gordon products.
- As required by the Investment Company Act of 1940, as amended, a significant portion of our investment portfolio is and will be recorded at fair value as determined in good faith and, as a result, there is and will be uncertainty as to the value of our portfolio investments.
- If a subscription request, including the full subscription amount, is not received in good order at least five business days prior to the first day of the month, the investor may not be eligible to purchase securities during that month's offering. Accordingly, if the subscription is not withdrawn, such investor will not know the NAV per share until the following month's NAV is determined, which will be a significant period of time from the initial subscription. If an investor disagrees with the NAV per share at which a purchase is made and decides to tender such common shares of beneficial interest ("Common Shares") within a year of such purchase, such investor would be subject to an early repurchase deduction and such Common Shares will be repurchased at 98% of NAV at the time of repurchase ("Early Repurchase Deduction").
- You should not expect to be able to sell your shares regardless of how we perform.
- You should consider that you may not have access to the money you invest for an extended period of time.
- We do not intend to list our shares on any securities exchange, and we do not expect a secondary market in our shares to develop.
- Because you may be unable to sell your shares, you will be unable to reduce your exposure in any market downturn.
- We have implemented a share repurchase program, but only a limited number of shares will be eligible for repurchase and repurchases will be subject to available liquidity and other significant restrictions.
- An investment in our Common Shares is not suitable for you if you need access to the money you invest.
- You will bear substantial fees and expenses in connection with your investment.
- We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including the sale of assets, borrowings or return of capital, and although we generally expect to fund distributions from cash flow from operations, we have not established limits on the amounts we may pay from such sources.
- Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by AGTB Fund Manager, LLC (the "Adviser") or its affiliates, that may be subject to reimbursement to the Adviser or its affiliates. The repayment of any amounts owed to the Adviser or any of its affiliates will reduce future distributions to which you would otherwise be entitled.
- The Fund's distributions may be funded from unlimited amounts of offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to the Fund for investment. Any capital returned to shareholders through distributions will be distributed after payment of fees and expenses.
- A return of capital to shareholders is a return of a portion of their original investment in the Fund, thereby reducing the tax basis of their investment. As a result from such reduction in tax basis, shareholders may be subject to tax in connection with the sale of shares, even if such shares are sold at a loss relative to the shareholder's original investment.
- We use and expect to continue to use leverage, which will magnify the potential for loss on amounts invested in us.
- We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Common Shares less attractive to investors.
- We invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as "junk," have predominantly speculative characteristics with respect to the issuer's capacity to pay interest and repay principal. They may also be illiquid and difficult to value.
- We invest primarily in privately-held companies for which very little public information exists. Such companies may experience substantial variations in operating results.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved of these securities or determined if the prospectus is truthful or complete. Any representation to the contrary is a criminal offense. Securities regulators have also not passed upon whether this offering can be sold in compliance with existing or future suitability or conduct standards including the 'Regulation Best Interest' standard to any or all purchasers.

This sales material must be read in conjunction with the prospectus in order to fully understand all the implications and risks of an investment in TCAP. This sales material is neither an offer to sell nor a solicitation of an offer to buy securities. An offering is made only by the prospectus, which must be made available to you prior to making a purchase of shares and is available at [www.agtbcap.com](http://www.agtbcap.com). Prior to making an investment, investors should read the prospectus, including the "Risk Factors" section therein, which contains a discussion of the risks and uncertainties that we believe are material to our business, operating results, prospects, and financial condition. Numerical data is approximate and as of March 31, 2024, unless otherwise noted.

### **Forward-Looking Statement Disclosure**

Certain information contained in this communication constitutes "forward-looking statements" that can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. These may include TCAP's financial estimates and their underlying assumptions, statements about plans, objectives and expectations with respect to future operations, statements regarding future performance, statements regarding economic and market trends and statements regarding identified but not yet closed investments. Such forward-looking statements are inherently uncertain and there are or may be important factors that could cause actual outcomes or results to differ materially from those indicated in such statements. TCAP believes these factors include but are not limited to those described under the section entitled "Risk Factors" in its prospectus and annual report for the most recent fiscal year, and any such updated factors included in its periodic filings with the Securities and Exchange Commission (the "SEC"), which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this document (or TCAP's prospectus and other filings). Except as otherwise required by federal securities laws, TCAP undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. Due to various risks and uncertainties, actual events or results or the actual performance of any TPG Angelo Gordon investment may differ materially from those reflected or contemplated in such forward-looking statements.

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