2023 Annual Report

Our Platform

10 Years of Tree Line.

A Decade of Consistency

Tree Line is celebrating 10 years of direct lending. Our team has directly worked with our investors, sponsors, borrowers and partners to deliver access to our platform, products and investment strategy.

By the Numbers

$2.6B
Assets Under Management

80
Unique Sponsors Financed

$4.8B
Issued Commitments

88%
Agent or Lead Lender

Delivering Value

Credit Structures Built to Outperform.

The Tree Line Advantage

Tree Line has placed an emphasis on market segment, credit structure and sector to consistently stive to outperform the broader market. Combining the advantages that exist in the lower middle-market with a data-driven approach has led to delivering investors favorable returns in all phases of a cycle.

Ten Years
by the Numbers

98%
Senior Secured Loans

100%
Maintenance Covenant Packages

4.1x
Weighted Average Net Leverage[13]

1.7x
Current Weighted Avg. Fixed Charge Coverage[14]

95%
Sponsor-Owned Borrowers

48%
Weighted Average Loan to Value

TREE LINE

Please review pages 23 and 24 for important footnotes

ESG Focus

Commitment to ESG

An Avoid Harm Framework:

Tree Line has committed to responsible investing by making our ESG Policy an integral part of the investment screening process. We are a signatory to Principles for Responsible Investment and maintain an "avoid harm" approach in our portfolio construction. We have built direct relationships with seven non-profit partners, including 1% for the Planet, and make annual contributions that drive change in our global environment and local communities.

1% FOR THE PLANET — MEMBER —

PROTECT OUR WINTERS POW

LOS PADRES FORESTWATCH

ADVENTURE SCIENTISTS EXPLORE. COLLECT. PROTECT.

WILDCOAST COSTASALVAJE

COMPASS FAMILY SERVICES Housing. Support. Hope.

Our Impact

by the Numbers

7

Vetted Non-Profit Partners

$627K

Direct Charitable Contributions to Non-Profit Organizations

PRI Principles for Responsible Investment

Signatory since October 2020

TREE LINE

10 TREE LINE CAPITAL PARTNERS
CELEBRATING 10 YEARS OF DIRECT LENDING

In this Year's Issue

March 2024

To our investors,

As we sit down to write this letter, we reflect on the work that began over 10 years ago to establish Tree Line. We had a vision to establish a lower middle-market direct lending platform that would provide institutional investors access to a market segment that offered attractive yields in disciplined senior secured structures. Even in 2014, we observed where private credit as an asset class was headed and the early signs of commoditization at the upper end of the market. Tree Line was formed to deliver its investors portfolios of high quality, senior secured loans and outperform the market through our focus on lower middle-market borrowers where we could extract excess yield in conservative structures. To achieve this, it required developing a clearly defined underwriting and investment system that prioritized credit quality and conservative structures over all else. We resisted temptation at the peak of the market when our peers were moving faster on higher risk structured deals. We remained poised in challenging markets knowing our data-driven, credit-first underwriting philosophy was built to withstand volatile economic periods of time.

As our platform grew in its first few years of operations, we analyzed our own data, we pushed further towards a data-driven approach and sought to eliminate any areas that that would introduce a higher likelihood of default or loss. We introduced a screening algorithm that scores every deal on five key factors to reliably filter out low quality credits early in our review. We studied every loan in the BDC market valued less than 80% of cost to build a database of information across thousands of deals to and identify business models with the highest probability of loss. Finally, having reviewed thousands of deals since inception, we have been able to construct sector databases which track and compare margins, unit economics and other important operating data, allowing us to identify qualities of a top-performing business in a given sector. We believe our differentiation lies in our data-driven approach.

We invested significantly in our team, processes and systems. In many instances, we redesigned processes to achieve a superior outcome, abandoned systems for new and improved ones and made decisions based on what would best position Tree Line for scale and long-term success.

> *"Tree Line was formed to deliver investors portfolios of high quality, senior secured loans and outperform the market..."*

When we formed Tree Line, we were relatively young at 37 (Tom), 35 (Jon) and 30 (Frank) and would argue we're still relatively young (just add 10), which is an asset and provides our investors with a long-term partner. We have a long-term vision for Tree Line and provide investors the opportunity to invest in a firm and team focused on building long term relationships across multiple funds.

Celebrating 10 Years of Tree Line

10 years into our work at Tree Line, we are a leading lower middle-market direct lender. Tree Line has a national footprint with a presence in San Francisco, Austin, New York and Los Angeles. We manage $2.6 billion across 10 direct lending funds and have committed $4.8 billion in capital to 80 unique private equity firms reaching over 139 borrowers. We have completed 209 add-on financings to the 139 borrowers both adding significant value to our clients and extending the life of our lending relationships. Importantly, our portfolio has demonstrated consistent growth, with the average borrower revenue increasing from $53.9 million at close to $113.8 million as of December 31st, 2023.

> *"To achieve this, it required developing a clearly defined underwriting and investment system that prioritized credit quality and conservative structures over all else."*

Our portfolio today sits at $2.2 billion across 76 portfolio companies. We are Agent or Lead Lender on 88% of the portfolio placing a premium on direct sourcing, underwriting and asset management. Our team consists of 31 investment and operations professionals with a focus to add at least six hires in 2024. We've built an infrastructure that combines our team resources with third party partners that provide us with scalable solutions.

Outperformance through a Data-Driven Approach

Our investment philosophy and data-driven approach are essential to our consistent and strong performance. We have spent our careers studying the risks that lie within direct lending and have created a consistent and repeatable system that combines market opportunity with credit fundamentals to deliver consistent performance in all phases of a market. Our underwriting ecosystem can be broken down into three key components:

Segment, Structure, and Sector.

Segment

We are focused on the lower middle-market, a segment we know to provide the attractive combination of more conservative transaction structures with a significant supply / demand imbalance. Private equity dry powder far outweighs private debt capital, and capital formation within lower middle-market private equity is at an unprecedented level as experienced investors launch new firms to capture better value with smaller businesses. On average, we are lending to companies with between $50 and $150 million of enterprise value and have been in business for over 20 years. These businesses have been cycle-tested and are well established within their respective markets.

Structure

We have consistently prioritized senior secured, low leverage, full covenant sponsor backed deals. Our credit structures are historically conservative and cannot be replicated in the upper middle-market where leverage is meaningfully higher and cov-lite structures prevail. Tree Line has categorically avoided second lien and mezzanine loans to ensure we play the lead role in restructuring discussions should a company's performance not meet plan.

Sector

Given the presence of conservative credit structures in the lower middle-market, the last element where we see elevated risk is in sector selection. Tree Line prioritizes cycle-durable sectors where companies generate significant free cash through business models that sell on subscription, contract and can generate recurring or re-occurring revenue. These businesses are generally asset light, services businesses where a critical business or consumer service is being provided. Today, we are seeing many opportunities in home commercial services, maintenance and repair and tech-enabled services. Having just avoiding oil & gas and retail over the past 10 years has given us an edge. We study sector performance closely and will continue to aim to avoid areas that we believe introduce an elevated risk of default or loss. business or consumer

Annual Letter

CELEBRATING 10 YEARS OF DIRECT LENDING

Segment

- **Target lower middle-market**
- **Favorable risk adjusted return**
- **Large, fragmented and growing universe of private equity firms**
- **Consistent deal terms in all phases of cycle**
- **Target premium yields in disciplined structures**

Structure

- **Senior secured loans**
- **Sponsor backed**
- **Target leverage of 4.0x or less**
- **Full covenants**
- **True EBITDA**
- **Low loan to value**

Sector

- **Cycle durable companies**
- **High free cash companies with fixed charge coverages above 1.5x**
- **Services businesses selling on contract, subscription with recurring sales**
- **Avoid cyclical sectors, discretionary spend, low margin businesses**

Top 3 Themes of 2023

2023 presented an interesting year with a variety of expectations and economic challenges. We approached the year that was set for volatility and uncertainty with confidence as we looked closely at our portfolio and felt it was designed to withstand these economic periods of time. We've summarized below the top three themes of 2023 based on our observations and your questions throughout the year.

I. 2023 Calls for Recession

Starting 2023, 76% of surveyed economists predicted a recession.[20] The combination of rising rates and a global hangover from the pandemic was said to be too much for the U.S. and global economy to bear. As the U.S. economy continued to show resilience, many investors grew skeptical and wanted to know what we were seeing across our portfolio.

Tree Line's insights through our $2.2 billion portfolio mirrored that of the general U.S. economy. Borrowers in our largely services focused sectors continued to generate significant free cash. Within the segment of the 66 portfolio companies that were in our portfolio as of the start of 2023, 59 experienced flat or positive revenue growth and 50 experienced flat or positive EBITDA. This general theme of stable earnings with margin pressure is representative of our countercyclical portfolio with stable demand drivers, which has seen slight margin erosion due to labor costs, but certainly well within debt-case underwriting expectations.

In the select cases where we observed softness in EBITDA, the decline was most commonly attributed to sponsors overengineering cost structures where growth or add-on acquisitions slowed. In these instances, the common theme was not a revenue problem but more a cost management problem where companies had over hired in 2021 and 2022. Our ability to intervene as Agent and senior lender was helpful in driving cost reductions or additional equity investments from sponsors in these very limited situations.

The year started with default rates and losses projected to spike with many predicting trouble for the credit markets but that's not the experience Tree Line or the market had. The S&P 500 finished the year up 24% and the unemployment rate ended the year at 3.7%.[21] Tree Line's portfolio performed well with very limited soft spots identified.

Tree Line Portfolio
2023

89%

Portfolio Companies with Flat or Positive 2023 Revenue Performance

4.1x

Weighted Average Net Leverage[13]

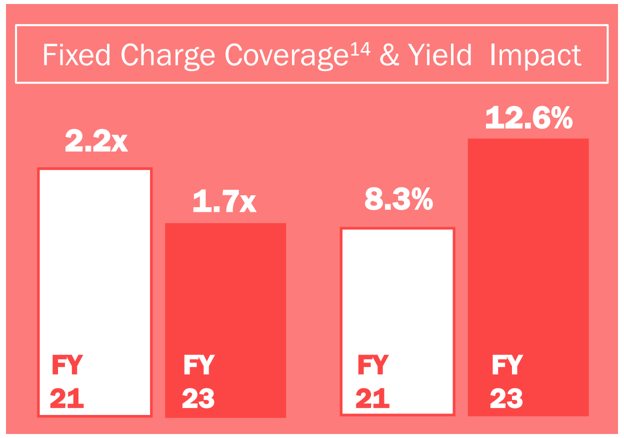
II. Interest Rates - Higher for Longer

Given the dramatic rise in interest rates, the most asked question of 2023 was how our borrowers were faring in the higher interest rate environment and could they continue to service their debt. When evaluating the period of time where rates rose between the end of 2021 and the end of 2023, Tree Line's all-in unlevered asset yields increased from 8.3% to 12.6%[16]. This created a material benefit to Tree Line investors with fund returns pushing to the highest end of our projected range, but the question remained as to how borrowers would ultimately perform.

As rates began to steadily rise in 2022, we stressed tested our portfolio for a 6.0% SOFR rate and we were pleased to see the embedded cushion that remained even at that elevated base rate. In this analysis, we saw our weighted average fixed charge coverage[14] decline to approximately 1.6x with very few cases of coverages dropping to 1.0x or below.

The cushion we saw was the result of the approach we took at the peak of the cycle when base rates were suppressed well below 1.0%. We understand markets can shift quickly, but portfolios of illiquid loans cannot, which keeps us focused on constructing portfolios with highly disciplined credit structures. We remain solely focused on senior secured loans and have consistently targeted a weighted average leverage of 4.0x[13] and below for new loans. When we combine these credit attributes with companies in cycle-durable sectors that generate significant free cash flow, it results in high fixed charge coverages.

In 2021, when interest rates were low, we were lending to companies with fixed charge coverages on average of between 2.0x and 2.5x.



Ultimately, SOFR ended 2023 at 5.4% increasing interest rates for borrowers by approximately 4.4%[22] who previously had a base rate floor of 1.0%. Our stress case analysis was a very good indication of what we actually experienced throughout the year. Overall, the portfolio held up very well with the weighted average fixed charge coverage[14] ending the year at 1.7x which continues to provide material coverage cushion. In the few instances we have seen tighter coverage levels, sponsors have continued to show support and take action in terms of investing new equity or addressing cost structures.

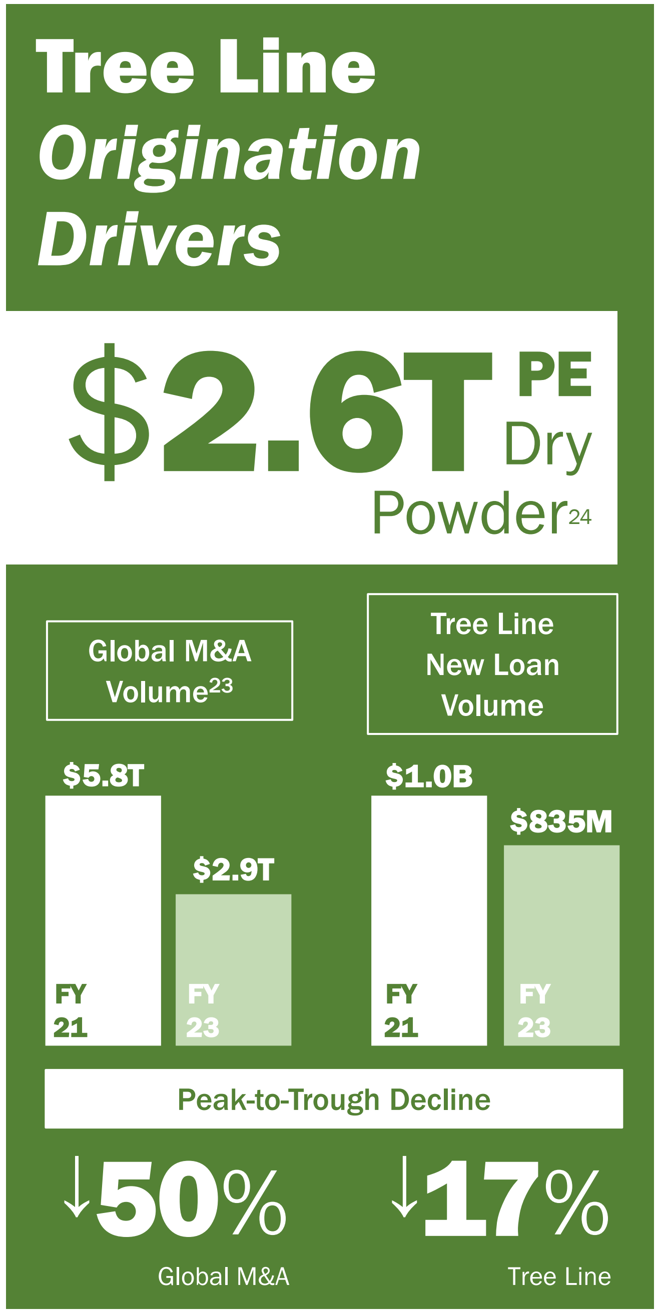
As of the date we write this letter, we are seeing a "higher for longer" environment take shape in 2024 which extends the benefits of what we believe is a very unique vintage of senior secured loans. The rate environment continues to be a net benefit to our investors with our focus on low leverage, full covenant, sponsor backed, senior secured loans.

III. M&A's Decline

While higher rates certainly benefited Tree Line's investors, there was a cost which was a rapid decline in the M&A markets. In 2021, the M&A markets set records globally and in the U.S. but 2023 hit the other end of the spectrum with the third quarter being the slowest quarter since 2010. The U.S. M&A market in 2023 was estimated to be down 50% from the peak in 2021 and 21% from 2022 by deal volume. US private equity firms exited companies in 2023 representing only 7.6% of AUM compared to a peak of 41.3% in 2021, resulting in significant declines in distributions to investors.[23]

Tree Line fared better having closed $835 million in commitments in 2023 which was down 17% from 2021 and 2022. We saw slower but steady deal flow throughout the year with a meaningful increase in Q4. The new deal flow in the market that we observed was high quality as that is where sponsors were willing to solve for higher interest rates. Our origination momentum continued, resulting in closed transactions with 11 new private equity relationships. Add-on acquisitions are where we typically see sponsors remain active in a tougher M&A market and that remained true in 2023 with 44% of our volume driven by add-ons, delayed draw term loans and revolver draws.

While the decline in M&A volume in 2023 was a big headline for the year, we don't spend much time focusing on it. Our portfolio construction philosophy is about consistent credit quality and the market continues to deliver ample opportunities to fully deploy our funds without sacrificing our underwriting standards. The private equity market has grown to an est. $5.6 trillion of AUM with $2.6 trillion in dry powder so we have no concerns about the long-term prospects of the sponsor lending market, regardless of short-term fluctuations.[22]



Expanding Our Approach to ESG

We are making significant enhancements to our ESG approach in 2024. As of the date of this letter, we have made significant steps towards further institutionalizing our ESG approach, team and policy. In January, we named Ally Yeargan as ESG Leader for Tree Line. Ally has held many responsibilities across the Tree Line platform since 2019, not least of which has been managing our 1% for the Planet relationships and shaping various policies and processes across the platform. Tom Quimby will serve as ESG Partner and work with Ally on a variety of ESG initiatives.

We spent months studying the role ESG plays in private markets looking at a large sample of ESG policies across the market and best practices from some of our largest stakeholders and investors. In the recent update to our ESG Policy, we aimed to tackle two primary objectives.

First, we worked to improve the screening of our investments through implementing a multi-stage review process of all prospective deal opportunities. The review process is comprehensive and increases in its scrutiny as a deal advances through the major stages of investment committee approval, being screening, term sheet and credit approval. For the first time, we also have included a screening process for our sponsor partners. As a lender this is critically important, as we are not in the owner/operator role and are legally limited on the influence we can have post-close. However, partnering with sponsors that maintain a focus on ESG put our portfolio companies in a position to make positive advances. The ESG sponsor review process includes a review of the ESG Policy, specific ESG initiatives planned for the prospective investment and the sponsor's ESG track record.

Second, our ESG Policy put formal steps in place to improve our post-close monitoring of ESG activities, initiatives and incidents. The benefit of our direct lending model is that we have been Agent or Lead Lender on 88% of our transactions since inception. This creates direct relationships with our borrowers and our account managers are able to interact directly with borrowers and extract updates on these matters. Beginning in the second quarter of 2024, a specific quarterly post-close ESG monitoring template will now be completed with the information uploaded to our asset management system.

Finally, our ESG Policy was improved to now require a quarterly report to be shared with investors. We'll compile the information we receive and track across screening and post-close monitoring and share our data and insights with our investors and partners.

We believe our ESG Policy and approach has made great strides and it will continue to evolve. We look forward to sharing our work on this important initiative.

Ally Yeargan
Vice President, ESG

Scaling Our Operations

In 2023, our AUM grew by ~4% and our portfolio grew by 10%. While this level of growth is modest relative to prior years, we did significant work that will enable meaningfully higher growth in 2024. In 2024, we will launch and establish our 10th, 11th and 12th direct lending funds which are expected to drive our AUM well past $3.0 billion. With this level of growth, we will continue to evaluate the capabilities of our Two areas where we spent time, energy and money are asset management and loan servicing. We directly service and manage our loans as Agent so ensuring we have scalable solutions is critically important.

In 2022, we architected a comprehensive asset management system which incorporated Alter Domus and Cobalt. Alter Domus would serve as a sub-agent to provide bandwidth to our loan servicing team and Cobalt would deliver a customized and meaningfully improved asset management system. While much of the architecture was designed in 2022, we spent significant time in 2023 to implement these systems.

In 2023, we added four team members across our Austin and New York offices.

Top-Tier Platforms

STATE STREET GLOBAL ADVISORS
Fund Administration & Servicing

alterDomus*
Loan Servicing

cobalt
Asset Management

TresVista
Finance & Administration

ERNST & YOUNG
Audit & Tax

A Winning Culture & Team

Since our inception, Tree Line's culture has always been something we have prioritized and worked at with intention. Our values are important and we aim to live up to them on a daily basis. While many firms can make similar statements, we take time to collect feedback from our team, examine our weaknesses and take action wherever practical.

In 2023, we continued to focus on areas to strengthen our culture & team. We drafted a D&I Policy and formally adopted it in Q1 2024. At Tree Line, we have struck a realistic balance in how we can incorporate diversity and inclusion across our firm to ensure we're building the best culture and team possible.

We continued to utilize our 360-review process to engage our employees and receive feedback on our firm, management team and culture. We introduced a "skip level" meeting series where the Partners of the firm meet with small groups of team members without their manager to solicit feedback, ideas and questions.

For every new hire, we aim to create a highly qualified diverse pool of candidates. We are learning which hiring channels are more effective than others and will continue to respond to data we are now tracking to make better decisions. We are approaching this challenge in good faith and have made strong progress to date and will continue to work on it going forward.

We hired four new professionals in 2023 across the investment and the operations teams. In 2024, we're planning to add at least six new team members reaching all corners of the firm. We intend to hire team members to support the continued growth and needs in investing, asset management, finance & accounting, compliance and capital markets.

At Tree Line, we are all accountable to each other and these tools have helped protect and improve our culture as we have grown over the last 10 years. As a relatively small firm, we'll continue to approach our policies sensibly and take action in real-time as opportunities or issues present themselves. Ultimately, our culture and team continue to be a real asset to our firm. We are proud to see how our team has advanced both professionally and personally at Tree Line.

The Next 10 Years

As we evaluate our path over the past decade, the common link to our success has been centered on relationships. Whether it's the significant long-term support investors and lenders have shown across multiple funds, the consistent and repeatable deal flow provided by our sponsor relationships or the relationships we've built with our team, our commitment to building long-term relationships as a core pillar to our strategy has a cornerstone to our success.

While our work over the past decade has delivered success and positioned us well for the future, our entire team remains committed to the work before us today and the results we need to deliver over the next 10 years to continue to earn the trust of all our partners.

Best Regards,

Tom Quimby
Managing Partner

Jon Schroeder
Managing Partner

Frank Cupido
Partner

The Macro Landscape

Consensus Complacency: *Factors Impacting the Economic Outlook*

Continued Bank Retreat: *Revisiting the 2023 Regional Banking Crisis*

Private Credit: *A Stabilizing Force in Capital Markets*

Macro Themes

Economic Policy *by the Numbers*

$1.7T
US Government 2023 Fiscal Deficit
(Largest Non-Wartime/Non-Recession Deficit)

98%
US Debt-to-GDP Ratio
(End of Year 2023; IMF Estimated Value)

21months
Duration of Fed Hiking Cycle

525bps
Total Fed Funds Rate Hikes

Oct 2023
Fed Pause/Pivot Announcement
(Formal Cessation of Rate-Hiking Cycle)

75bps
Market Expected 2024 Fed Rate Cuts
(based on Fed Funds Futures as of 2/23/24)

Consensus Complacency

After a long year of economists and market pundits calling for an imminent US recession throughout 2023, market consensus has shifted to the belief that policymakers may have successfully achieved the elusive 'soft-landing'. However, the market may be looking past an array of economic and geopolitical risks that could shift the outlook.

Even as early as January 2023, there seemed to be an undisputable consensus belief that the US would follow Europe into a period of economic contraction as the impact of rising rates and elevated inflation resulted in weakening consumer spending and overall business activity. However, the US delivered real annual GDP growth of 2.5% (est) in 2023, marking an acceleration in growth from 2022 (1.9%). All the while, inflation dropped rapidly through the first half of the year, before settling around 3.0-3.5% as supply chain snarls were unwound and excess consumer goods spending shifted back toward a more normal services-heavy split. It is no surprise that the consensus view heading into 2024 is for a soft-landing supported by expected rate cuts from the Fed and further declines in inflation back to the 2.0% Fed target. While we acknowledge that a favorable economic environment may persist well into 2024, we believe the market may be ignoring a series of significant risks to the soft-landing scenario.

First, we see the continued fracturing of geopolitical cooperation across the globe as a continued risk to inflation. While domestic energy production growth has provided the US a hedge against potential disruptions in global energy markets, government intervention significant government intervention would still be required to address price rises. Additionally, domestic wage inflation has remained 'sticky' in a range of 4.3% to 4.8% during 2023 creating upward pressure on core services prices.

Second, US economic outperformance has largely been supported by a significant increase in fiscal deficit spending versus historical periods of economic growth. As a result, US domestic interest expense may begin to crowd out productive government investment (especially when accounting for the massive Baby Boomer generation now reaching retirement). Finally, recessions have most typically initiated ~9-18 months following the cessation of the rate-hiking cycle, which would suggest the impact of the most recent hiking cycle would likely begin to show its full impact beginning between Q2 and Q4 2024.

Key Takeaways

While a soft landing may visible or even likely, recessions historically lag rate hike cycles and real risk still exists. Tree Line continues to underwrite with a recession in mind.

Credit Markets

Continued Bank Retreat

One Year Later: Revisiting the Crisis of March 2023

As we near the anniversary of the collapses of Silicon Valley Bank, First Republic Bank, and Signature Bank – as well as the expiration of the Fed's Bank Term Funding Program (BTFP) – it seems appropriate to revisit the health of the Regional Bank sector and assess a key source of credit to small and medium sized businesses across the US.

The March 2023 collapse of SVB, FRB, and SBNY highlighted for investors the impact of rising interest rates on unhedged bank securities portfolios along with the accelerated pace at which deposits (especially uninsured deposits) can flee a bank. Regional banks, already feeling the impact of yield-curve inversion on net interest margins and most susceptible to the impact of rates on their securities portfolios (given lack of internal hedging capabilities relative to the large money center banks) were provided a reprieve form the Fed in the form of the BTFP, which allowed them to borrow against their discounted securities at face value. However, the BTFP is slated to expire on March 11, 2024.

Throughout 2023 commercial bank exposure to commercial real estate (CRE) loans continued to expand at a pace consistent with pre-COVID despite a deceleration in overall loan growth, as banks have been forced to offset declines in their commercial and industrial (C&I) loan books due in large part to the expansion of Private Credit. Meanwhile, CRE fundamentals have continued to deteriorate throughout 2023 and into 2024 as higher mortgage rates and spiking vacancy rates exert significant downward pressure on property values *(see next page for detail)*.

Put simply, the outlook for regional banks appears precarious tied to the success of a "soft-landing". As a result, Tree Line expects continued regional bank retrenchment from leveraged finance markets, providing increasing opportunity for managers with relationship depth in the lower middle market.

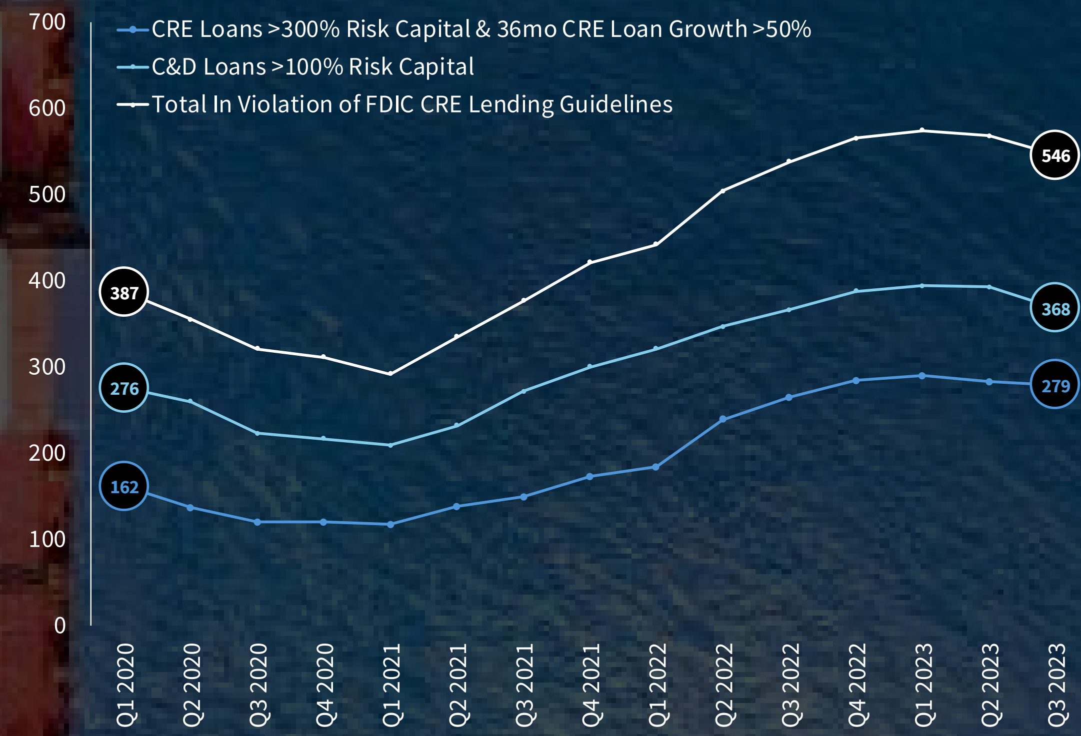
Key Takeaways

Increasing pressure on bank balance sheets will provide a growing opportunity set for direct lenders, particularly in the lower middle market.

Sword of Damocles: *Net Unrealized Gains (Losses) on Securities (in US$Bs)*

Source: FDIC

Out of Compliance: *US Banks in Violation of FDIC CRE Lending Guidelines*



Source: FDIC

Note: In Graphs above, Failed banks removed from counts following FDIC receivership (incl.4 banks from Q2 to Q3 2023)

Credit Markets

Private Credit

A Stabilizing Force in Capital Markets

Plenty of Ink was Spilled and Arguments Raised in 2023 Regarding the Potential Risks Posed by the Burgeoning Private Credit Asset Class. However, do these Assertions Stand-Up to Simple Scrutiny?

The post-GFC growth of Private Credit as a unique asset class has extremely robust. However, with Private Credit continuing to capture market share from both commercial and investment banks for high-quality high-yield assets, there has been much conversation regarding the sector's resilience. Below we address some of the key mischaracterizations of Private Credit funds and managers to better clarify how the asset class is enhancing stability.

Assertion: Private Credit is not regulated like banks and therefore may contain significant hidden risk.

Response: Private Credit funds are managed by Registered Investment Advisors (RIAs) subject to SEC supervision and regulation. Investors in most Private Credit funds must be Accredited Investors, which bring sophistication and resources to their investment due diligence and underwriting before making allocations.

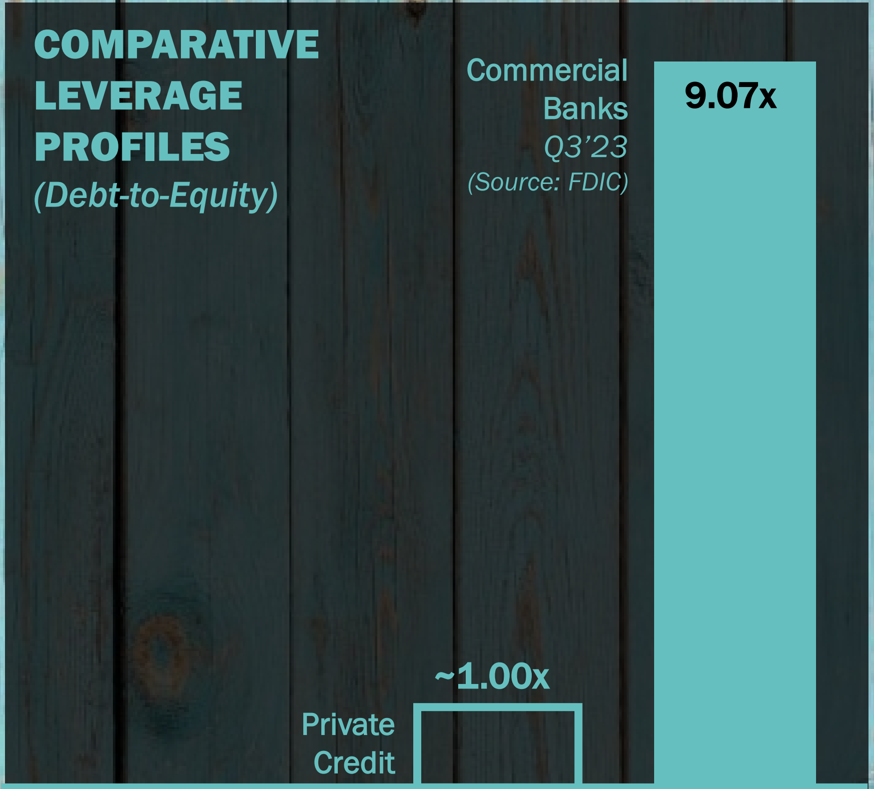
Assertion: The use of leverage by Private Credit funds magnifies and broadens the risks of a systemic event emanating from a potential sustained period of underperformance.

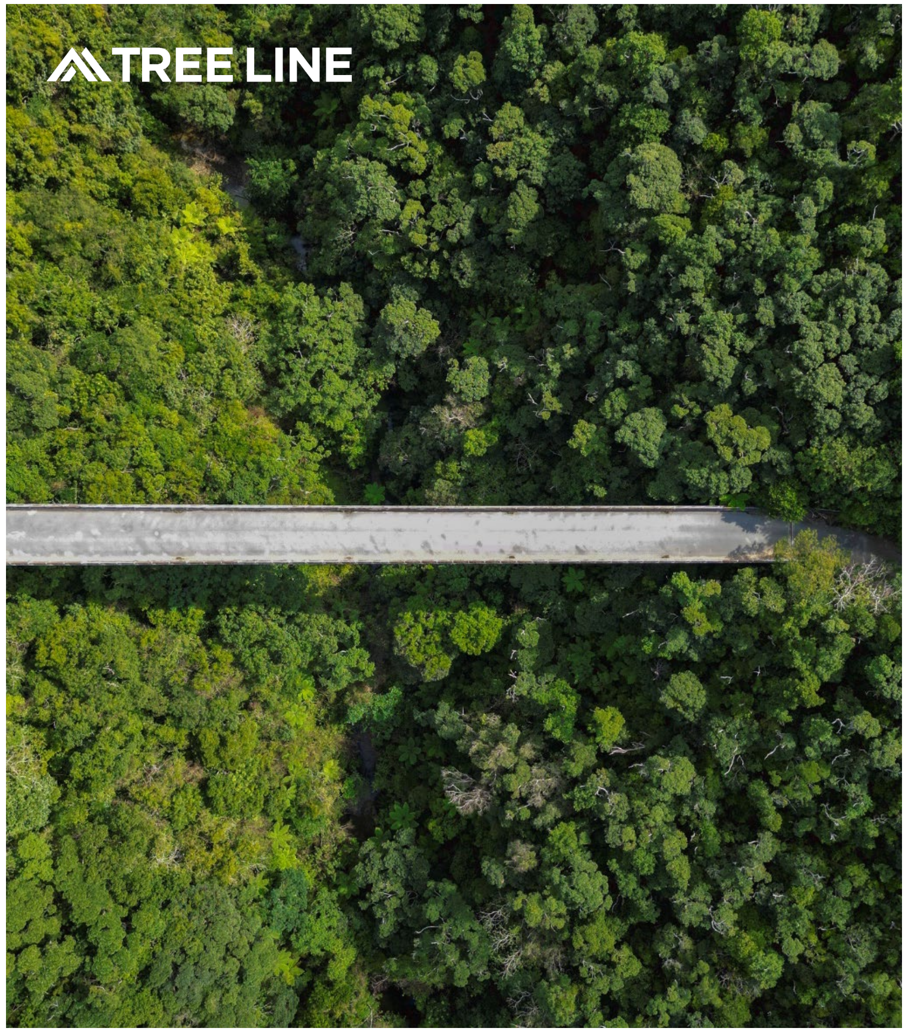
Response: While many Private Credit managers do offer leveraged fund structures to enhance returns opportunities for investors, it must be appropriately compared to the relative risk of those assets remaining on bank balance sheets. Private Credit funds typically employ leverage on a ~1:1 ratio of debt-to-equity (or 1.0x LP capital). Conversely, commercial banks in the US have an average leverage ratio of 9.1x (Total Debt + Deposits / Total Equity).

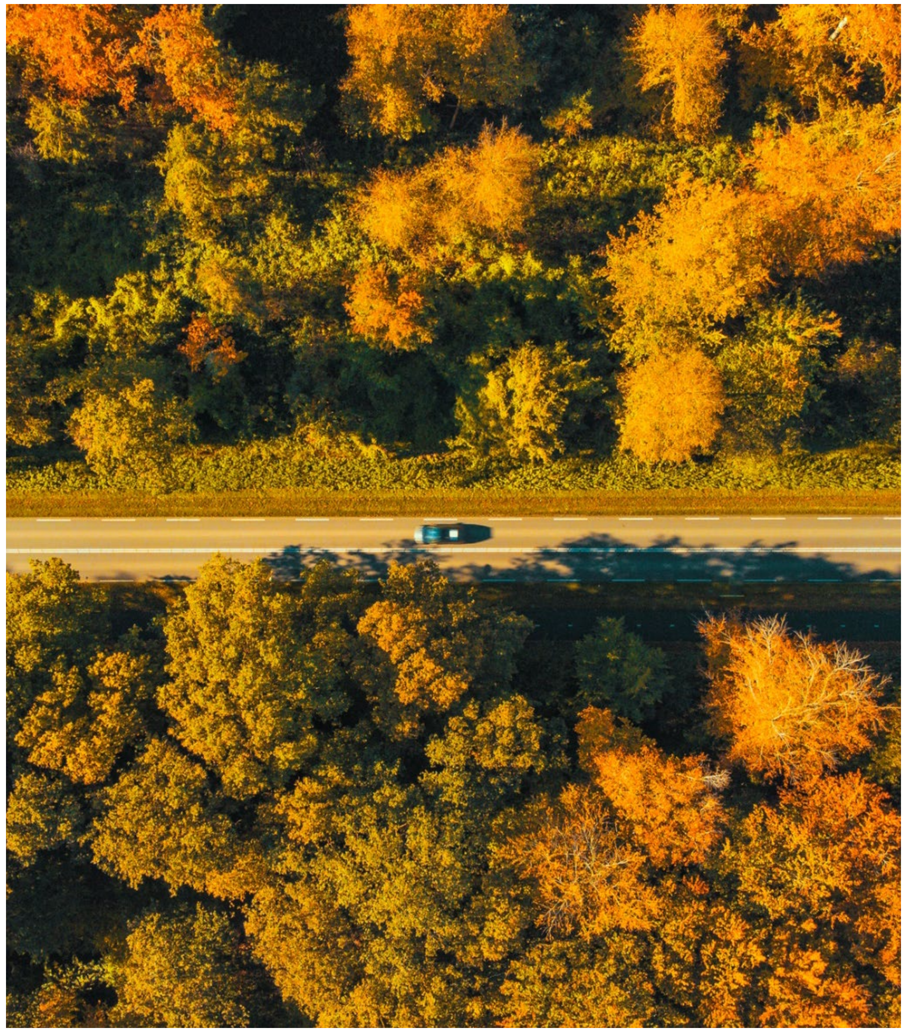
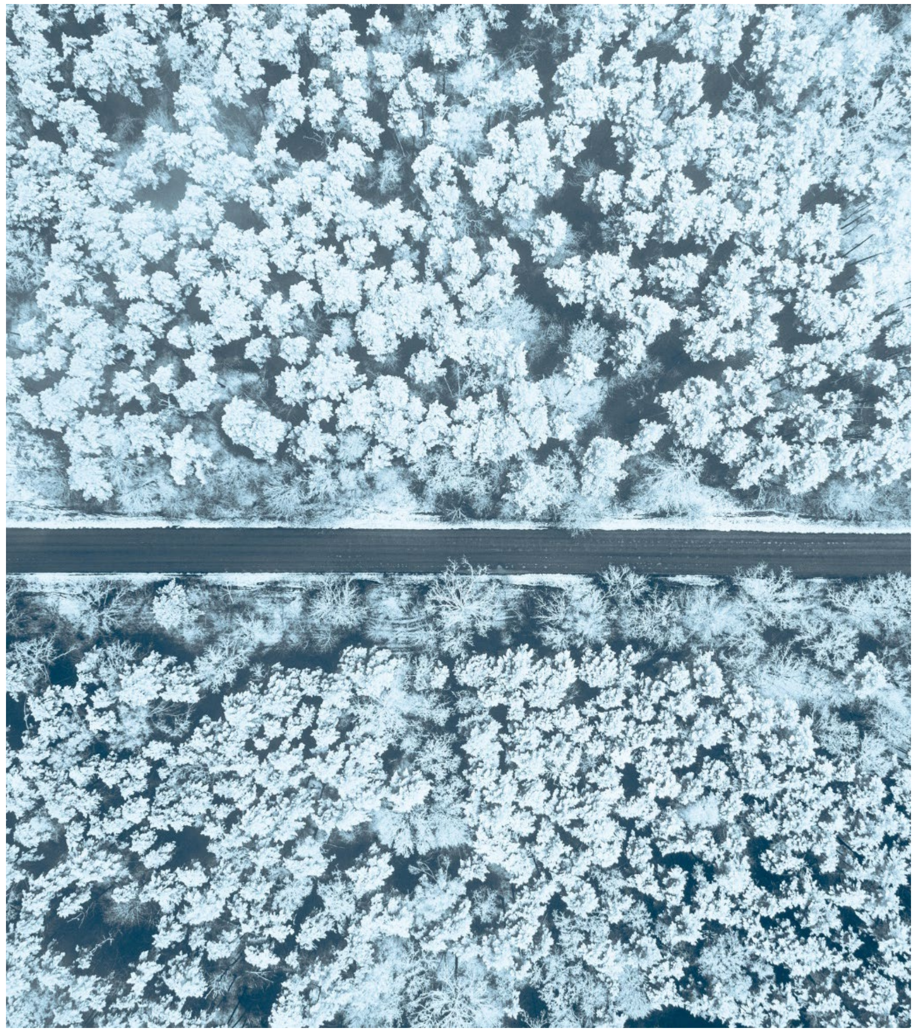
Assertion: The illiquidity of Private Credit assets creates risk due to the lack of mark-to-market asset valuations.

Response: Most mangers employ third-party valuation firms (typically subject to approval by the fund lenders) to value the assets multiple times per year, providing reliable fair market value estimates on a regular basis. Additionally, structure of the market also reduces the frictional costs of managing underperforming assets, as the small number of lenders in any single facility or capital structure streamlines negotiations of out-of-court restructurings, thereby avoiding the significant financial (and reputational) burden of a bankruptcy and improving recoveries for all stakeholders.

Private Credit LP Investor Base	
Private Pension Fund	18%
Family Office	13%
Foundation	13%
Public Pension Fund	12%
Insurance Company	8%
Wealth Manager	8%
Endowment Plan	8%
Asset Manager	7%
Bank / Investment Bank	5%
Investment Company / Trust	1%
Other	8%
Total	**100%**





Private Credit's Growth Drivers

Just The Beginning: *Private Debt Races to Keep Pace with Private Equity*

LMM Positioned to Win: *Fundraising Environment Leads to LMM Differentiation*

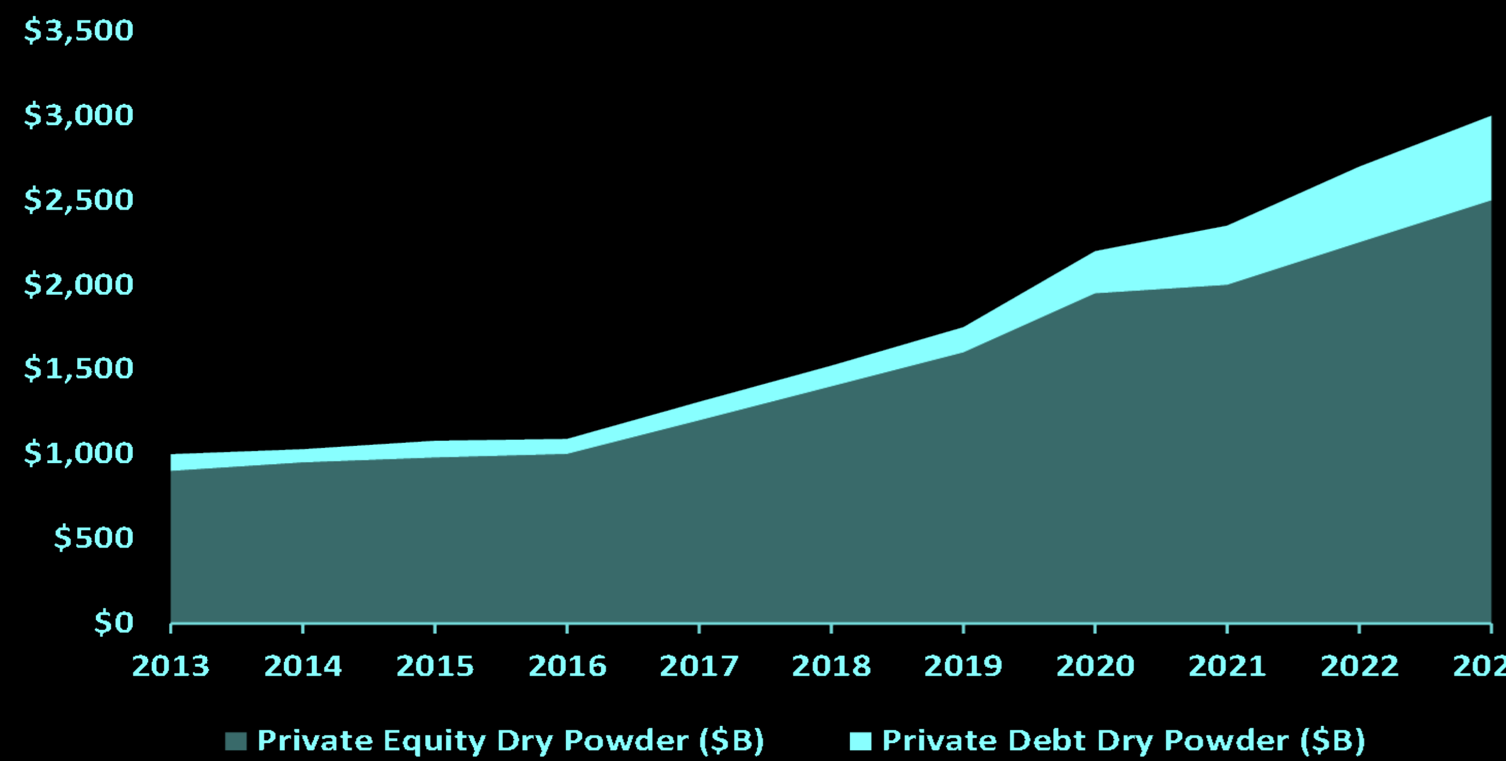
Market Analysis

Just the Beginning

Private Debt Races to Keep Pace with $2.6T of PE Dry Powder

Private Capital Dry Powder

Private Credit vs Private Equity[24]



Current Fundraising Trends

Metrics and Stats

A softer M&A environment in 2023 has added to the already massive private equity dry powder stockpile that must be put to work in acquisitions during the coming years. Private debt fundraising has resulted in a relatively paltry est. $500B[24] of dry powder, overshadowed by private equity by nearly 5:1. Each dollar of private equity capital will require over one dollar of private debt, suggesting significant amounts of private debt capacity and resultant fundraising required.

$2.6T

Private Equity Dry Powder as of January 2024[24]

$500B

Private Credit Dry Powder as of January 2024[24]

5 to 1

Ratio of Private Equity to Private Debt Dry Powder

Market Analysis

LMM Positioned to Win

Upper Middle-market's Fundraising Success Leads to Commoditization Enabling Lower Middle-market Differentiation

Lower Middle Market *Summary Growth Drivers*

$312B
Raised in Funds < $500M Since 2019[26]

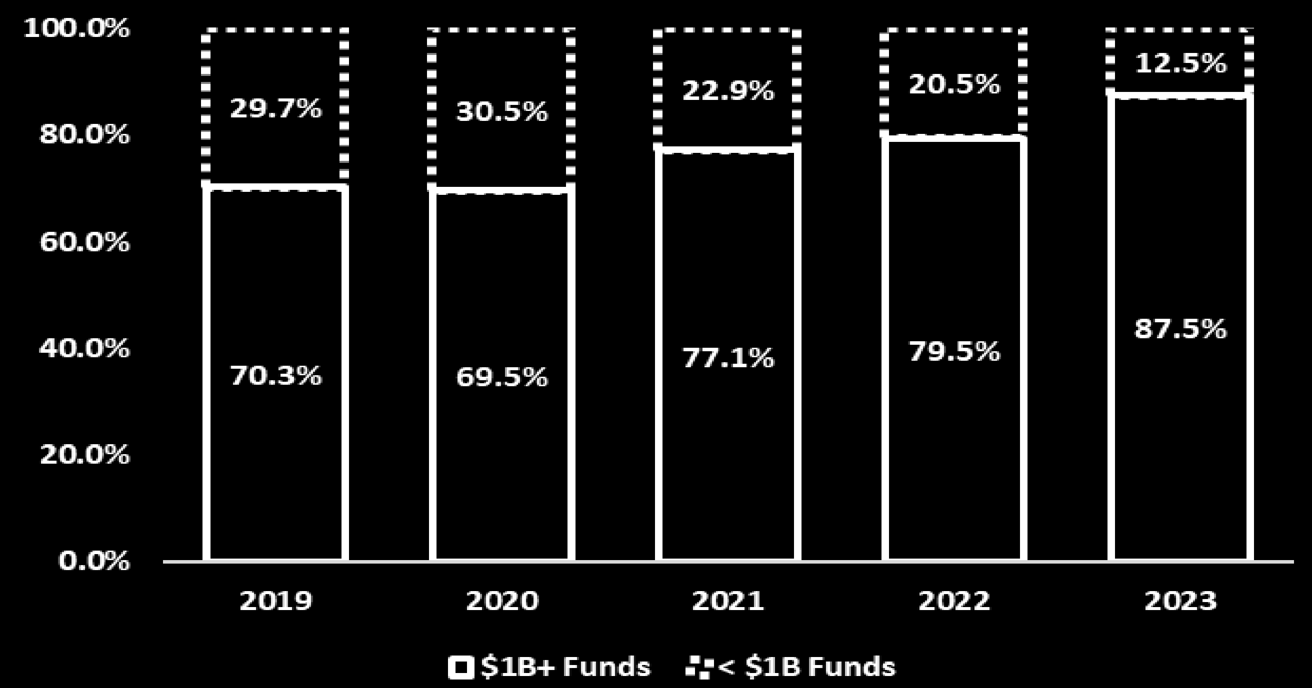
+175K
Companies with between $10-100M in Revenue[27]

Tree Line's core market consisting of businesses with under $100M of revenue remains extremely robust with over 175k active businesses across the US. At the same time, the average private debt fund size has nearly doubled to $1.5B since 2019, requiring managers to pursue larger deals to meet deployment goals at equal portfolio weightings.

As a result, lower middle market lenders face less competition for deal flow, allowing for selectivity in credit selection. Unlike larger managers which have recently raised $1.5b+ funds, lower middle market lenders will continue to be able to construct portfolios of conservatively leveraged loans with genuine credit protections.

Private Debt Fundraising by Fund Size

Proportion of Funds > $1B+ Shows UMM Commoditization[25]



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Market Analysis

Disciplined Underwriting in a Lenders' Market

Cash Yields Remain Historically Attractive in Disciplined Senior Secured Structures

Key Takeaways

Despite lower mergers and acquisitions activity in 2023, yields remain extremely attractive for lower middle market senior secured lenders, increasing to 12% since 2022 driven by interest rate increases. This 410 bps increase equates to over an $80M increase in annual interest income on Tree Line's $2.2B portfolio.

Importantly, Tree Line has maintained a high level of underwriting discipline, with leverage average 3.5x[13] for new deals in 2023 and quarterly cohorts remaining in a relatively tight band for underwriting leverage under 4.0x, relative to middle market leverage greater than 5.0x.

410bps

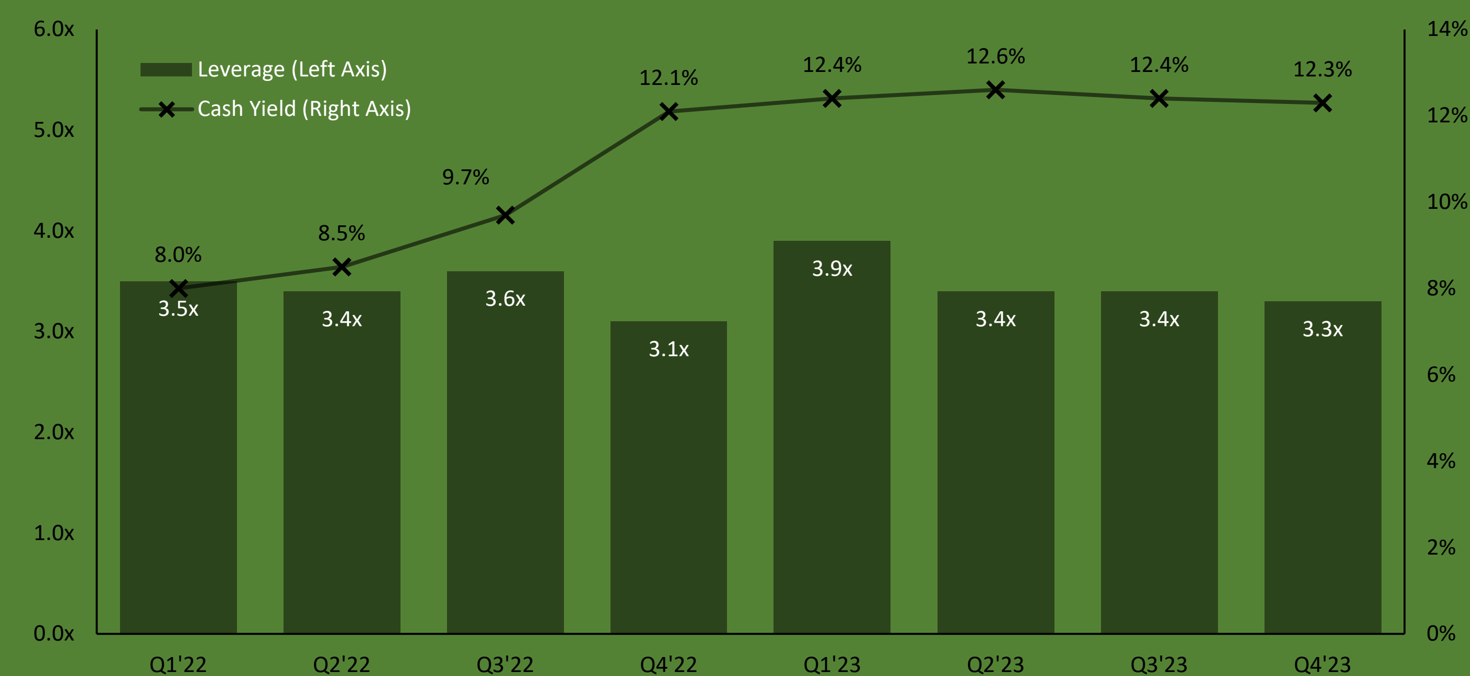
Increase in Cash Yields for Quarterly New Deal Cohorts in 2022

3.5x

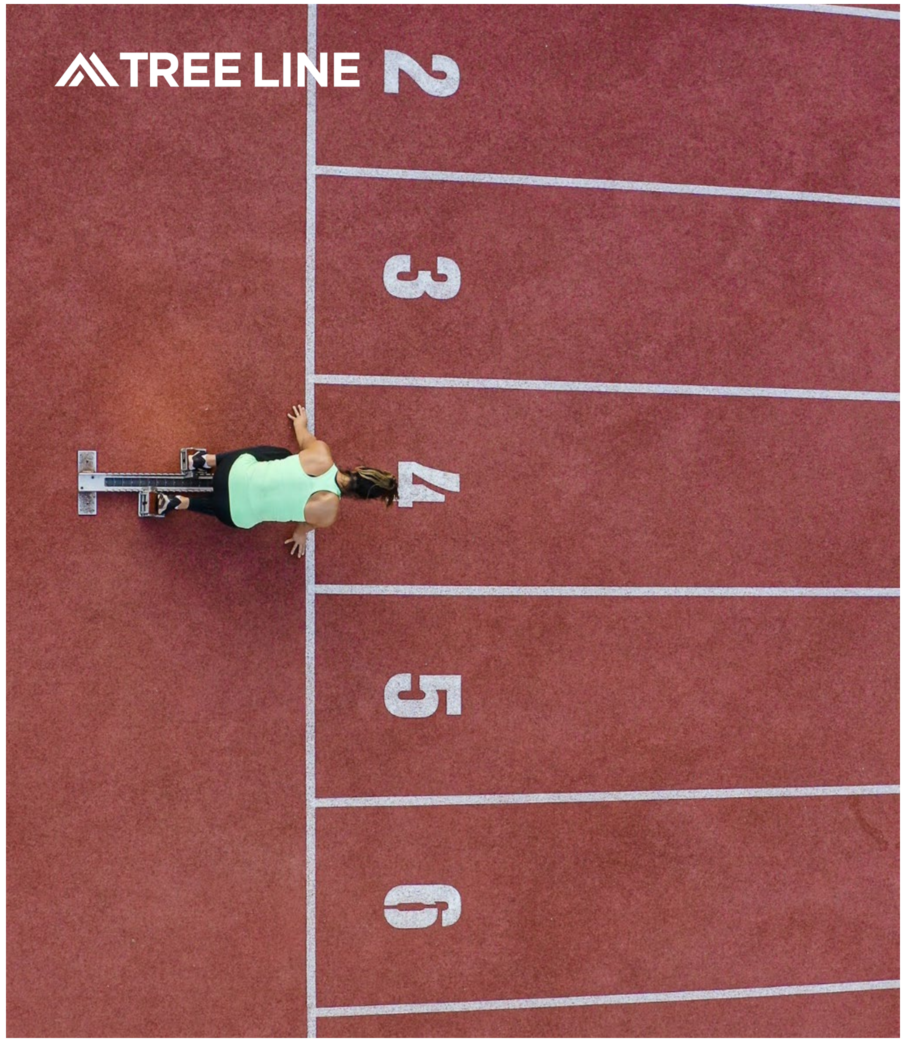
Average Tree Line 2023 Quarterly New Deal Cohort Closing Leverage[13]

Tree Line Historical Origination Metrics

Quarterly New Deal Cohort Leverage and Cash Yield



Please review pages 23 and 24 for important footnotes and disclosures.



Tree Line’s Resilience

LMM Credit View: *Conservative Structures Drive Liquidity Cushions*

Tree Line’s LMM Leadership: *The Origination Flywheel*

Market Analysis

LMM Credit View

Conservative Structures Drive Liquidity Cushions

Tree Line Versus Middle Market Structures

Fixed Charge Coverage and Resultant Earnings Cushions

Tree Line Portfolio

4.1x Portfolio Leverage[13]	**1.7x** Fixed Charge Coverage[14]	**27%** EBITDA Decline Withstood Until 1.0x FCC

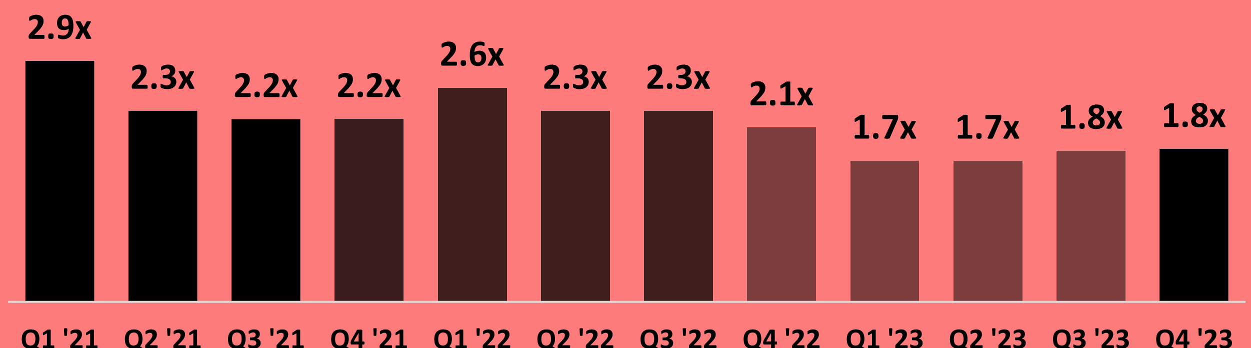
Average Middle Market

5.5x Portfolio Leverage[28]	**1.2x** Fixed Charge Coverage	**11%** EBITDA Decline Withstood Until 1.0x FCC

Key Takeaways

Tree Line's focus on the lower middle market provides for reduced leverage[13] at the asset level, with new deals averaging <4x. As a result, significant inherent downside protection in the form of liquidity cushion exists in lower middle market deals versus middle market deals, in that EBITDA can decline 37% versus 11% in a 5.5x deal[28] prior to 1.0x fixed charge coverage[14] being breached. Although Tree Line's portfolio fixed charge coverage has declined due to rising rates, its consistency following rate hikes and significant premium over middle market structures speaks to the embedded cushion lower middle market portfolios provide.

FCC **(2021 – 2023)** [29]



Market Analysis

Tree Line's LMM Leadership

Private Equity Growth Combines with Relationship Base to Create Origination Flywheel

Tree Line Origination Strategy Key Takeaways

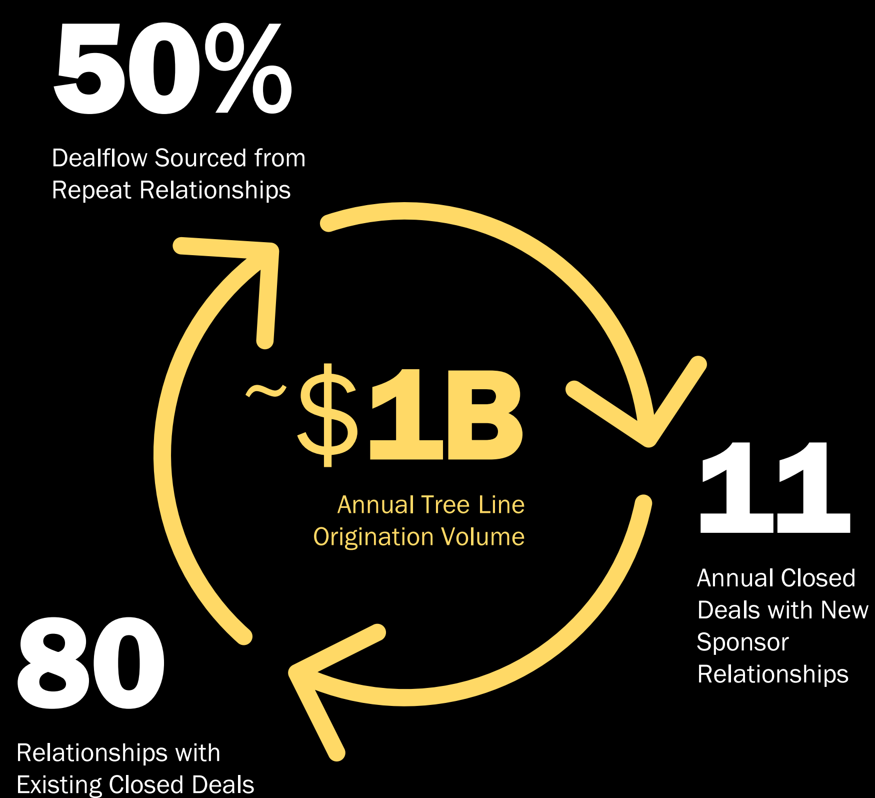
Tree Line has cultivated a track record of consistent execution for its private equity relationships, characterized by quick and transparent feedback, certainty to close and unique ability to build middle market businesses through add-ons.

Lower middle market private equity has continued to generate new managers every year, most of which have strong buyout experience from larger firms and are seeking more attractive deal dynamics relative to the frothy middle market. As a result, Tree Line has reliably added 10-14 new relationships per year.

New relationship growth combines with Tree Line's robust deal flow from existing sponsors to create a sourcing flywheel effect resulting in consistent $1B+ origination annually.

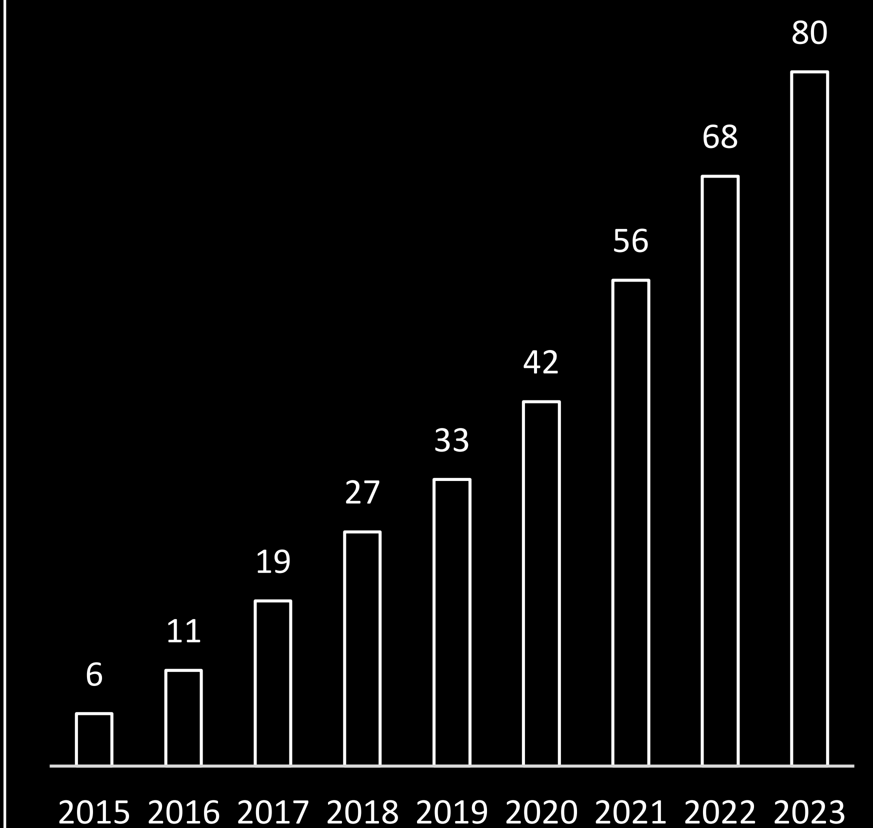
Origination Flywheel

New Relationship Additions Compound with Existing Referral Sources to Drive Origination



Sponsor Relationship Growth

Tree Line Unique Sponsor Relationships with Closed Deals



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Opinions

Opinions expressed through page 22 are those of Tree Line Capital Partners, LLC as of March 2024 and are subject to change.

Tree Line Data Points

All data through page 22 reflects proforma performance as of December 31st, 2023, unless otherwise noted.

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Important footnotes

1. *TLDL refers to Tree Line Direct Lending, LP. TLDL is managed by Tree Line Capital (as defined below).*
2. *TLDL (SC) refers to Tree Line Direct Lending Swiss Capital, LP. TLDL (SC) is managed by Tree Line Capital (as defined below).*
3. *TLDL II refers to Tree Line Direct Lending II, LP. TLDL II is managed by Tree Line Capital (as defined below).*
4. *TLDL III refers to Tree Line Direct Lending III, LP. TLDL III is managed by Tree Line Capital (as defined below).*
5. *TLCS refers to Tree Line Credit Strategies, LP. TLCS is managed by Tree Line Capital (as defined below).*
6. *SMA refers to Tree Line Swiss Capital Debt Fund, LP. Tree Line Capital (as defined below) serves as the advisor to the SMA.*
7. *Tree Line Funds refers to TLDL, TLDL(SC), TLDL II and TLDL III.*
8. *All Funds refers to TLDL, TLDL (SC), TLDL II, TLDL III, TLCS and SMA.*
9. *SBIC Fund refers to Enhanced SBIC II, LP, a successor fund to SBIC I that is managed by Tree Line Capital.*
10. *Tree Line Capital, Tree Line, and TLCP refers to Tree Line Capital Partners, LLC.*
11. *Portfolio FMV is defined as the cumulative fair market value of all investments by the funds managed by Tree Line Capital as determined in accordance with Tree Line Capital's valuation policies and guidelines. These metrics reflect certain management estimates supported in certain instances by valuations performed by third-party valuation firms.*
12. *Wtd Average Gross Unlevered YTM is defined as the expected yield, including the coupon and closing fees, of an investment that is held to maturity and payments are made as scheduled. The Gross Unlevered YTM for an equity co-investment is defined as the expected return assuming a liquidity event on the maturity date of TLCP's loan and TLCP deal team's forecasted EBITDA, cash, debt, and EV/EBITDA multiple on such date.*
13. *Wtd Average Leverage is defined as the sum of (a) the product of (i) the leverage multiple for each investment [X] (calculated by dividing the most recently reported outstanding loan balance [Y] for each investment by the most recently reported LTM EBITDA for each company) and (ii) [Y], divided by (b) the total outstanding loan balance for the entire portfolio of investments held by All Funds.*
14. *Wtd Average Fixed Charge Coverage is defined as the sum of (a) the product of (i) the LTM fixed charge coverage multiple for each investment [X] (calculated by dividing (x) the trailing twelve months' EBITDA less the sum of trailing twelve months' unfinanced capital expenditures, cash tax payments, and other permitted distributions and/or restricted payments by (y) the trailing twelve months' cash interest payments and mandatory debt repayments) and (ii) the outstanding loan balance [Y] for the entire portfolio of investments held by All Funds.*
15. *Total Return to Date is defined as the cumulative cash inflow related to each specific investment by each specific Fund up to the referenced point in time noted in each respective table. Returns are shown for specific investments. There can be no guarantee that any target return or any other fund objectives will be realized. It should not be assumed that any investment will be realized at projections shown or will be profitable. Actual results will vary and may differ materially from the target return. Returns to investors from a Fund will aggregate returns from all the respective Fund's investments and will be reduced by fund-level fees, including asset management fees and incentive distributions, and investor-level taxes, all of which reduce returns to investors.*
16. *Wtd Average Unlevered Gross Cash Yield is defined as the sum of (a) the product of [X] the sum of for each respective investment (i) the effective margin over base rate at close, (ii) the effective base rate at close, (iii) any annual administrative fee divided by the outstanding principal balance, and (iv) any closing fee expressed as a percentage of the outstanding principal balance divided by the tenor of the investment, and (b) the principal balance outstanding [Y] for each respective investment made during the time period referenced. Note: Wtd Average Unlevered Gross Yield does not include common equity or like investments in the calculation of outstanding principal.*
17. *Average values are shown for LTM Revenue and LTM EBITDA. LTM financial data as of most recently reported period. Weighted average calculations do not include fund guaranty loans as borrower level financial information is not indicative of the loan's performance due to the loan relying primarily on the support from the institutional fund owner of the borrower via a guaranty agreement rather than the cash flow and enterprise value of the individual borrower. LTM Leverage weighted average calculation also excludes equity investments.*
18. *Definition of Realized Unlevered Gross IRR: Data provided is dated as of September 30th, 2023. Realized Unlevered Gross IRR is based on total principal, interest and fees collected for loans that have been fully realized taking into account the duration of each loan. Realized Unlevered Gross IRRs do not reflect the impact of management fees, carried interest, taxes or allocable fees and expenses on the fund level, the application of which would materially reduce returns to investors. Performance is aggregate performance across multiple funds and investment cycles and no individual investor has received performance indicated by the aggregate data. Investments were managed over a period of time and during significantly different economic and market conditions, which may not be replicated. Past performance is not indicative of future results. Net performance figures for individual investments, portfolio extracts and/or composites are estimated and have been calculated on a model basis by applying a discount factor to the gross returns using a representative fund-level gross and net spread, as follows. Net IRR was determined by multiplying the Realized Gross Unlevered IRR by the following: TLDL I Levered Gross IRR divided by TLDL I Unlevered Gross IRR. The result of that calculation was than adjusted by a second factor which equal to TLDL I Net ITD IRR divided by TLDL I Gross ITD IRR. TLDL I was determined to be the appropriate basis of this calculation as it is the furthest in its lifecycle across all Tree Line funds. These figures illustrate the potentially substantial impact of fees, carried interest and expenses on the gross returns of extracted or composite performance, even though these amounts are charged or allocated at the fund level and, therefore, are not necessarily the returns experienced by investors with respect to such investments.*
19. *Total Return measures the unlevered, gross of fees performance. Gross Investment Income +/- realized gains/(losses) +/- unrealized gains/(losses)/Average Amortized Cost of Portfolio*
20. *Nation Association for Business Economics. December 2023.*
21. *Bureau of Labor Statistics. State Employment & Unemployment. January 2024.*
22. *Reuters "US Overnight Funding Rate Hits Record High Amid Year-End Volatility". December 2023.*
23. *Pitchbook, Private Market Fundraising Report 2023.*
24. *Financial Times. The Private Capital Industry's Dry Powder has hit $4tn. December 2023.*
25. *Preqin, December 2024.*
26. *Pitchbook, Private Debt Report 2022.*
27. *US Census 2012.*
28. *KBRA Monthly Insights and Outlook. As of 1/17/24.*
29. *Quarterly Fixed Charge Coverage calculated on all new transactions closed by Tree Line by quarter form Q1 2021 through Q4 2023.*
30. *Newmark Research, MSCI, Real Capital Analytics, as of May 11, 2023.*