



UNDERWRITING

a new world

2020 ANNUAL REPORT



Tree Line is structuring current yield solutions to help our limited partners combine yield with discipline in a time when consistent performance is in short supply

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Jan. 2020

“We will be the last to predict when a market will shift but we will acknowledge that it can happen quickly. To that end, we will remain relentlessly focused on the fundamentals to ensure our portfolios are well positioned to perform through any uncertainty that lies ahead.”

Tree Line Market Insight:
Direct Lending In An Uncertain Environment

▲ TREE

July 10th, 2020

To our investors,

In June 2019, the cover of our Annual Report included a key theme, “Preparing for a Recession”. In January 2020, we published a short paper entitled, “Lending in an Uncertain Environment”, which highlighted the need for discipline as we entered the tenth year of an economic expansion. Having been direct lenders before, during and after the Great Financial Crisis, themes of caution and discipline remain at the forefront of Tree Line’s investment strategy. We simply believe it is what should comprise a lender’s DNA. Over the past five years, the credit market followed a familiar pattern where fundamentals were sacrificed while being rewarded with record inflows of capital creating a recipe for defaults and losses.

A shortsighted narrative took hold throughout 2019 which was that covenants are overrated, and that record high leverage levels should present no concern so long as a large company is present. These themes, combined with subtle, yet extremely impactful, changes which erode the strength of a credit agreement have weakened the position of many large lenders. At the peak of the cycle, it was counterintuitive to us that lenders would brazenly advocate to take more risk for less return in riskier structures. At Tree Line, we worked each day to do things differently. Our underwriting ecosystem, defined by three key components, *Strategy, Data and Experience*, requires an unrelenting focus on the fundamentals as is critical to success for any lender investing late in a cycle. It's our belief that it's what you do at the peak that earns you the opportunity at the trough.

Underwriting A New World

We could never have scripted the events that would take place in the early months of 2020. The first half of the year has confronted us with a pandemic and demands for social reform, alongside a trade war, reflation, and a significant shift in how we work, commute, travel, shop and interact as human beings. Billions of lives around the globe have been impacted by these events in profound ways.

As people, we gained perspective through these trying times which brought our team closer together even though we were working apart. We have been focused on expanding our ESG policy to drive an impact in our community. At the start of the year, we joined *1% for the Planet*, and will contribute 1% of our management company revenue to support environmental causes. In May, our team made personal contributions, matched by Tree Line,

for over \$58,000 to those impacted by COVID. Finally, in June, we renewed our focus to build a diverse culture and will explore the lengths that we can partner with our investors to leverage our ESG policy to effect positive change. As challenging as the recent events may have been, we are energized at the role we can play in an ever-evolving world.

We are a dynamic, young, diverse team that welcomes the responsibilities that come with managing capital on behalf of our investors in today's world.

As direct lenders, we gained further insight into the strengths and weaknesses of our portfolio and investment strategy. We mobilized a tremendous response to monitor and manage the impact of COVID. Market volatility placed uncertainty on portfolio valuation across our industry. As hold to maturity lenders, we can absorb short-term market gyrations. Our loans are structured with significant cushion and through senior secured rights and covenants

ESG Commitment

Joined **1%** for the Planet in 2020 contributing 1% of Tree Line revenue to environmental causes



Community Support

Contributed over **\$58,000** as a team and firm to those impacted by COVID-19

GiveDirectly



TREE LINE IMPACT

Employing **strategies to promote social change** through our investments, partnerships, and continued internal focus on diversity

enable us to properly manage and influence liquidity across our portfolio. We are incredibly pleased with the effort our team has given in the face of this tumultuous year. Our team remains highly focused on two key fronts.

First, the continued performance and recovery of our portfolio. Our portfolio construction strategy which emphasizes directly originated, senior secured, low leverage, high free cash, full covenant, sponsor-backed loans put us in as strong of a position as possible entering the crisis. As of March 31st, 2020, our portfolio was \$900M in fair market across 36 portfolio companies carrying a weighted average leverage of 3.6x and a fixed charge coverage of 2.1x. Following months of intensive portfolio monitoring work, where we customized specific COVID monitoring plans for each borrower with a heavy focus on liquidity, our portfolio has been proven durable. To date, we have incurred zero payment defaults and have funded zero rescue dollars as a result of the crisis.

In times of market dislocation, direct relationships are essential. We are the Agent and/or Lead Lender in 96% of the deals across our portfolio.

Direct relationships provide us with immediate and unfiltered access to borrowers where, in the case of COVID, we were able to increase reporting requirements to track daily and weekly trends during the most dynamic time of the crisis. Tree Line's comprehensive COVID monitoring plan, shared with investors in numerous updates over the past few months, allowed us to establish a liquidity

baseline at each portfolio company to measure cash burn to ensure we could take action well in advance of an issue.

Second, we must now begin to underwrite a new world. As we enter the beginning of a recession, triggered by a global pandemic, we will inevitably witness a significant change to business models, supply chains and regulations. The current environment calls for caution, yet we recognize that post-crisis performance data will be highly valuable in analyzing company and sector stability and outlook. The average age of our portfolio companies is 19 years, which provided Tree Line the ability to study a

March 2020 Portfolio

\$900M

Tree Line
Portfolio
FMV¹⁰

9.8%

Wtd. Avg.
Gross
Unlevered
YTM¹¹

3.6x

Weighted
Average
Leverage¹²

2.1x

Weighted Average
Fixed Charge
Coverage¹³

company's performance before, during and after the Great Financial Crisis. This data was incredibly important to understand a company's ability to withstand volatility and rebuild its revenue to pre-recession levels. COVID will now provide us with this much needed data after 10 years of economic expansion.

PERFORMANCE, Growth & Technology

Tree Line, in its seventh year of operations, continues to execute a thoughtful and measured growth plan while delivering record performance across the platform. Too often have we seen scale and growth become the enemy of return and consistency in our industry.

At Tree Line, we aim to build market share with a long-term view as we hold our investor, employee, sponsor and borrower relationships as our greatest assets.

Market conditions are a key factor to determine the appropriate pace for responsible growth. While many private credit platforms grew considerably faster during the economic expansion, it may come at a cost. Tree Line limits its fund sizes to reflect reasonable annual origination targets that favor deal selectivity over growth. We execute a niche lower middle-market strategy to ensure responsible deployment in disciplined credit structures. As a result, amidst this crisis we remain healthy and liquid as a clear leader in lower middle-market direct lending. We expect the bar for new deals to be extremely high but also are confident we will be able to capitalize on this market dislocation, which may involve consolidation of private credit managers, and deliver this value to our investors.

Our platform has never been stronger. Assets under management now sit at an all-time high and total \$1.4B. We manage six direct lending funds which include evergreen, call & return and SMAs. We have created a suite of funds offering investors flexibility in how to access our platform. We have issued \$1.6B in loan commitments to 107 companies with 2019 origination totaling \$480M across 13 new platforms and 21 follow-on financings. Tree Line was the Agent/Lead Lender in 12 of the 13 new transactions and sole financing partner in 10. Follow-on financings, in a highly acquisitive lower middle-market continue to be an incredibly important source of proprietary deal

Growth & Consistency

\$1.4B

Assets Under Management

\$1.6B

Issued Commitments

6

Direct Lending Funds

107

Companies Financed

Credit Fundamentals Matter...

99%
Senior
Secured

100%
Full
Covenants

2.7x to 4.3x
2019 Leverage Range

*... and delivered favorable
COVID-19 performance
with consistent cash on
cash return for investors*

ZERO
Payment Defaults or
Rescue Dollars Funded

\$23M
Cash Interest Collected

\$53M
Principal Repayments

flow. Sponsors continue to select Tree Line on a repeat basis in a competitive environment. As important, the consistency in our deal flow and credit metrics are a testament to our commitment to capital preservation.

In 2019, at the peak of the cycle, we delivered record origination volume without sacrificing our credit standards. The 2019 vintage was comprised of 99% senior secured loans carrying a weighted average leverage of 3.7x with the maximum leverage to a single deal of 4.3x, a fixed charge coverage of 2.1x, a weighted average unlevered gross cash yield of 9.3%, LIBOR floors of 1.7% and 100% full covenants. These metrics are highly consistent with 2015 and that speaks to the consistency of our market versus what occurred in the middle and broadly syndicated loan markets where leverage spiked, and covenants were gutted.

In periods of extreme economic volatility, cash is king and does not lie. From March 2020 through the date of this letter, and amid COVID, we collected \$23.4M in cash interest, received \$52.6M in principal repayments while only funding \$7.0M in net revolver draws. Additionally, we've generated \$1.8M in fees and excess return as a result of amendment requests. The performance of our portfolio and our ability to generate current yield for our investors through the initial three months of a pandemic and recession speaks volumes to its durability.

Tree Line's Commitment to Data and Research

Tree Line's approach to underwriting will continue to be centered on data. We have allocated significant time and energy to our data driven approach and market research. Leveraging our nearly 20 years of direct lending experience, we have designed and implemented an algorithm to score and filter deals to minimize risk that presents a higher likelihood of default. Our strategy is proving to be a winning and enduring formula in

the face of the COVID challenge as our zero payment default rate meaningfully outperforms the high yield, BSL and BDC market.

Since inception, we have screened over 3,000 loan opportunities. The deep and unique access we have to the lower middle-market provides us with extremely valuable data. We work to combine the data we directly collect with research we perform on the BDC space. We have studied loan performance across thousands of loans, with a specific focus on loans valued less than 80% of cost, to build a searchable lower middle-market database of underperforming transactions.

Studying and understanding poor performance across a statistically relevant population of loans will aid our efforts to properly filter out opportunities with elevated levels of risk tied to specific business models.

Tree Line will make a significant and long-term commitment to this effort as we believe it has great potential to further differentiate our performance from our peers.

Powering Our Team With Technology

Our team, which consists of 14 investment professionals and 8 operations professionals, continues to expand its presence across the country with new offices in Los Angeles, CA and Austin, TX. In May 2020, we hired Tina Badciong as our Chief Financial Officer, who brings over 25 years of finance and accounting experience to Tree Line. Tina will lead our Austin office with a continued focus to expand, build and develop our finance and operations team.

Tree Line's commitment to investing in technology remains a top priority. Over the past year we have invested materially in our loan servicing and asset management technology and software. This investment will deliver a comprehensive and scalable solution necessary to support our growth for years to come. Our collaboration tools, such as Slack, Zoom and a newly launched intranet site, have enabled a highly successful work-from-home experience. Our team remains healthy, engaged and prepared for the challenges ahead.

COVID & Recession Market Impact

COVID was the unforeseen catalyst that finally broke the 10-year bull market and exposed credit firms' unprecedented levels of risk. The world came to an abrupt halt in a way that would have been a failed plot line on *Billions*. Few could wrap their heads around the global economy shutting down so swiftly. As COVID became a reality in the U.S. in March, we pulled back on efforts to originate new deals as pricing and underwriting risk became too challenging in such a volatile environment.

Tree Line directed the full resources of our team to engage with our borrowers to assess current key performance indicators, liquidity and revised forecasts which we were able to synthesize into investor updates.

Following months of intense portfolio monitoring during shelter-in-place mandates,

the U.S. economy is reopening, for now. The environment remains volatile and unpredictable which needs to be acknowledged. We have heard from experts projecting recoveries ranging from a V, U, L, W and Nike swoosh. As the date of this letter, a V certainly looks to have prevailed in the public markets, likely driven by Fed activity and a resultant reflationary environment. However, we are far more interested in the unique insights we gain through our 36 portfolio companies across 19 sectors in the U.S. and the extensive research we have done across the lower middle-market and middle-market.

Companies impacted by COVID are showing steady and consistent gains in each week's performance following a bleak April, which is encouraging. However, our data still tells us that there is a large disconnect between Wall Street and Main Street.

As resilient as our portfolio has been and with many furloughed jobs being rehired, permanent layoffs are being implemented across many companies to counter reduced demand. We need to anticipate a protracted recession.

Many companies improved liquidity through the Paycheck Protection Program, revolver draws and initial cost cutting but these are likely short-term solutions to what is potentially a longer-term problem. As the second half of 2020 is upon us, notwithstanding the possibility of a second wave of COVID taking hold, our focus will shift to monitor the impact of a recession where we will place focus on three key pieces of data for those companies impacted by COVID.

Prognostication Overload

Preparing for the cycle at the peak....

V

U

W

L



...puts Tree Line in position to capture value through the trough, regardless of its shape.

First, a company's pre-COVID performance benchmark, which was likely FYE 2019 or LTM February 2020. Second, a company's ability to manage through the brunt of shelter-in-place mandates. This largely proved to be a litmus test with heavy emphasis on liquidity, the strength of a management team to navigate market volatility, implement cost rationalizations and maintain a healthy balance sheet. Third, which will take time to evaluate, the rate at which a company can return to their pre-COVID performance benchmark. This is what we will ultimately look to over time to assess and price our underlying risk. This approach assumes there is not a major setback due to a second wave in which case we would likely revert to a focus on liquidity.

We anticipate there will be companies that may have fared well through shelter-in-place but could be more impacted by a recession and high unemployment. Overall, our underwriting has served us well and the debt case within each of these companies affords us the necessary cushion to withstand both COVID and recessionary challenges ahead.

Dislocated, Distressed, and Direct Lending

We have observed a swift shift from a frothy credit market to a scramble for distressed assets. We find it interesting that in many cases it's the same firms that were participating in the froth are now raising distressed funds.

The years following the Great Financial Crisis were a meaningful time of growth for many private credit managers with new entrants filling the void in middle-market lending. With banks consolidating at a rapid clip coupled with increasing regulation, distressed players benefited from discounted portfolio sales.

Today, COVID has created a similar buzz in the market with "dislocated", "distressed" and "opportunistic" being used ad nauseum. Much of the speculation has been that private credit managers, including direct lenders, would present a huge opportunity for distressed buyers.

We see significant differences between the effects of the Great Financial Crisis and COVID which, in our opinion, will not enable distressed investors to build a pipeline of direct lending opportunities as advertised. Banks were under severe pressure in 2008 and 2009 as regulated entities, with the financial system threatening to fail, many had to unload portfolios to shore up their balance sheets.

As it relates to the direct lending space, assets are predominantly held by BDCs and private platforms which are significantly less regulated than banks and virtually all are designed to be hold to maturity lenders. Even in the face of a distressed loan or portfolio, these groups are predominantly prepared to workout their own paper as the bid from a distressed investor is rarely viewed as an appealing exit option. Yes, there will be exceptions where assets and portfolios trade, but we don't believe it will be widespread or material.

However, while direct lenders may not be executing fire sales as many had projected, we believe a more likely scenario is that many will become "zombies" where they offer a borrower or sponsor little ability to support growth. Private equity firms, looking for lender stability and potentially growth capital, will target new lenders. Tree Line will directly benefit from an expanding opportunity set as BDCs and private credit platforms untangle themselves from years of irrational investment decisions. We do not expect distressed players to gain access to our channel but do expect Tree Line to capture additional share as our competitors struggle with underperforming portfolios, leverage facility defaults and an inability to raise new equity while BDCs trade below NAV. Tree Line's BDC competitor set, who have less than \$500M in market cap, maintain total loan portfolios of ~\$5.6B as of March 31st, 2020, and were responsible for over \$2.1B in 2019 origination. BDCs, being public vehicles, and with an average beta of 1.42 for lower middle market managers, are greatly impacted in times of economic volatility. A group of nine lower middle market managers' price to NAV dropped from an average of 0.86x in June 2019 to 0.60x in June 2020²². The valuation impact at these funds will greatly limit their ability to issue new loans and significantly reduce competition in the lower

middle-market. This is a relationship business based on direct calling efforts and long-term relationships with private equity firms. Tree Line will have an opportunity to displace its competitors creating a wider opportunity set as a recession unfolds.

Our investment philosophy and portfolio construction strategy are designed to withstand unforeseen events and capitalize on market dislocation. The 2010 – 2012 vintage of deals performed exceptionally well with high yields and virtually no losses, as reported by BDCs during this period, and we expect a similar opportunity set to present itself going forward.

Tree Line's Commitment to Capital Preservation

We founded Tree Line to provide investors access to the lower middle-market through an institutional quality platform. We work daily to combine a relationship approach with our investors with a platform built on scalable technology solutions. Our value proposition to investors is and will continue to be to deliver consistent yield with a focus on principal protection and minimized volatility. The true measure of a direct lender is found in its consistency to perform in all phases of a cycle.

For the past six years Tree Line has made daily decisions that reward fundamentals and penalize unnecessary risk to construct a durable portfolio designed to withstand a recession. We are equipped to manage the challenges ahead given the senior secured rights and remedies that we hold. Today, our portfolio is performing and continuing to generate reliable cash yield for our investors as we remain focused and prepared on unforeseen challenges ahead. As lenders, we will remain highly cautious in this new environment yet acknowledge the



opportunity in the near to medium term to capitalize on an embedded element of our strategy, dislocation, that has not been meaningfully present since our inception.

In 2020, a year where the world is facing unprecedented change, Tree Line has never been stronger. Our platform, brand, team and culture are thriving and poised to expand on the successful work we have done to date. We remain highly appreciative of the support our investors have shown us and remain excited by the work we can continue to do together. While we recognize our world is changing dramatically, we are optimistic about what lies ahead. A world that presents change, presents opportunity and we are prepared to underwrite a new world.

Sincerely,

Tom Quimby
Managing Partner

Jon Schroeder
Managing Partner

Frank Cupido
Partner

Social Distance

An Opportunity to Reset



Welcome to 2020

Finding a voice and a role in a world fighting for prosperity, equality and change.

2020 is a year that will mark a significant time of change in our lives. In an election year while facing a pandemic, our world and local communities are calling for change.

Following a 10-year bull run, the markets finally met a catalyst that brought it all to a standstill. Public markets were thrust into volatility in March following COVID-19's emergence in the world. Private markets typically lag public markets in acknowledging a shift of this magnitude but nonetheless wrestled with valuation amidst a highly volatile market.

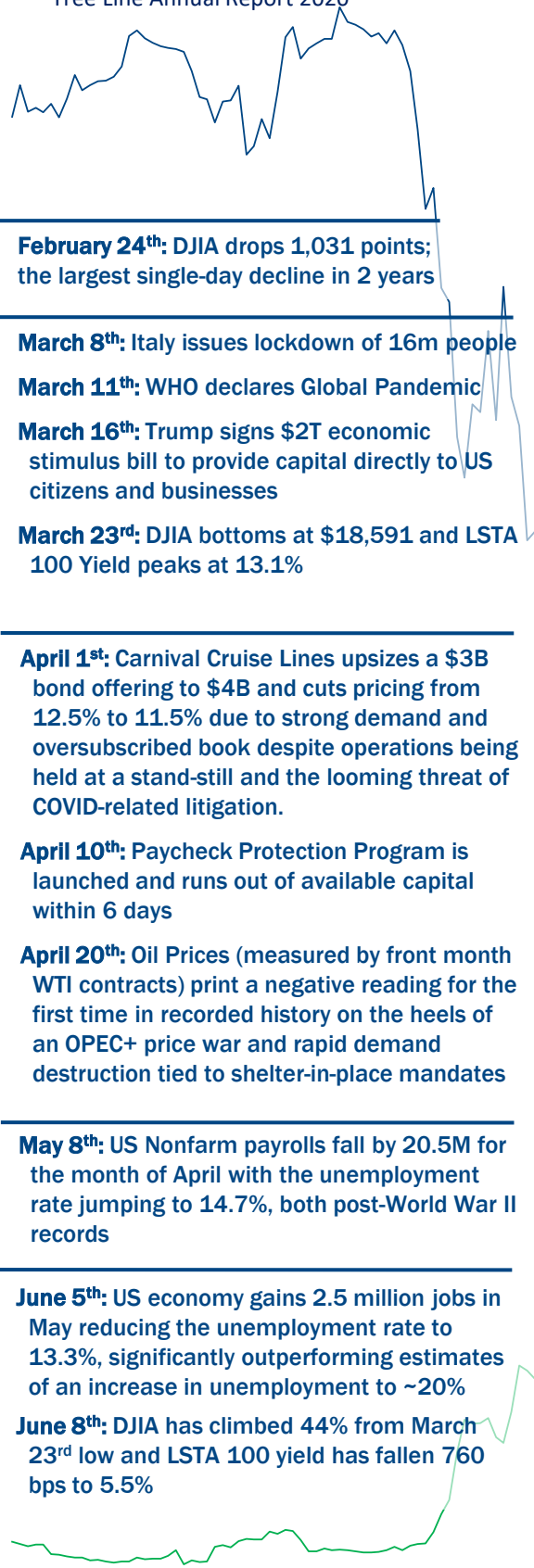
Private credit investors will still be in position to provide investors with significant value as global yields fall to, or below, zero. However, we may finally be able to separate the winners from the losers and it won't be correlated with size but rather underwriting discipline.

Tree Line is energized by its opportunity to lead the lower middle-market in current yield solutions for investors while making an impact in our community. Our team is young, dynamic and fully engaged to make a positive impact in our world alongside our investors.



**Pandemic.
Criminal Justice Reform.
Trade Wars.
Election Year.
Environmental Crisis.**

Managing in a Global Crisis



February 24th: DJIA drops 1,031 points; the largest single-day decline in 2 years

March 8th: Italy issues lockdown of 16m people

March 11th: WHO declares Global Pandemic

March 16th: Trump signs \$2T economic stimulus bill to provide capital directly to US citizens and businesses

March 23rd: DJIA bottoms at \$18,591 and LSTA 100 Yield peaks at 13.1%

April 1st: Carnival Cruise Lines upsizes a \$3B bond offering to \$4B and cuts pricing from 12.5% to 11.5% due to strong demand and oversubscribed book despite operations being held at a stand-still and the looming threat of COVID-related litigation.

April 10th: Paycheck Protection Program is launched and runs out of available capital within 6 days

April 20th: Oil Prices (measured by front month WTI contracts) print a negative reading for the first time in recorded history on the heels of an OPEC+ price war and rapid demand destruction tied to shelter-in-place mandates

May 8th: US Nonfarm payrolls fall by 20.5M for the month of April with the unemployment rate jumping to 14.7%, both post-World War II records

June 5th: US economy gains 2.5 million jobs in May reducing the unemployment rate to 13.3%, significantly outperforming estimates of an increase in unemployment to ~20%

June 8th: DJIA has climbed 44% from March 23rd low and LSTA 100 yield has fallen 760 bps to 5.5%

March 5th: Tree Line senior management circulates internal memo to provide work-from-home flexibility and convey plan to refocus all investment resources to portfolio risk management

March 16th: Tree Line implements a series of daily portfolio monitoring tools to analyze real-time borrower KPIs and liquidity metrics

Mid-March: Tree Line conducts portfolio stress-testing and leverages direct relationships to establish daily/bi-weekly calls with borrower management and ownership teams to collect real-time liquidity and KPI data for all portfolio companies

April 12th: Eighteen Tree Line portfolio companies qualify for PPP loans

May 11th: Tree Line closes SBIC fund, with final license pending, aimed at providing capital to small businesses

May 15th: Tree Line sends Q1 Investor Letter providing fourth portfolio update in 60 days to investors

May 18th: Tree Line satisfies all revolver and delayed draw commitments across all funds

May to June: Tree Line negotiates and closes five amendments related to COVID resulting in enhanced reporting, improved economic terms, and incremental borrower liquidity via Sponsor equity infusions

June 2nd: Tree Line announces over \$50k in employee and company donations to support communities and individuals impacted by the pandemic

June 15th: Tree Line welcomes Tina Badciong as CFO and announces plans for new Austin, TX office

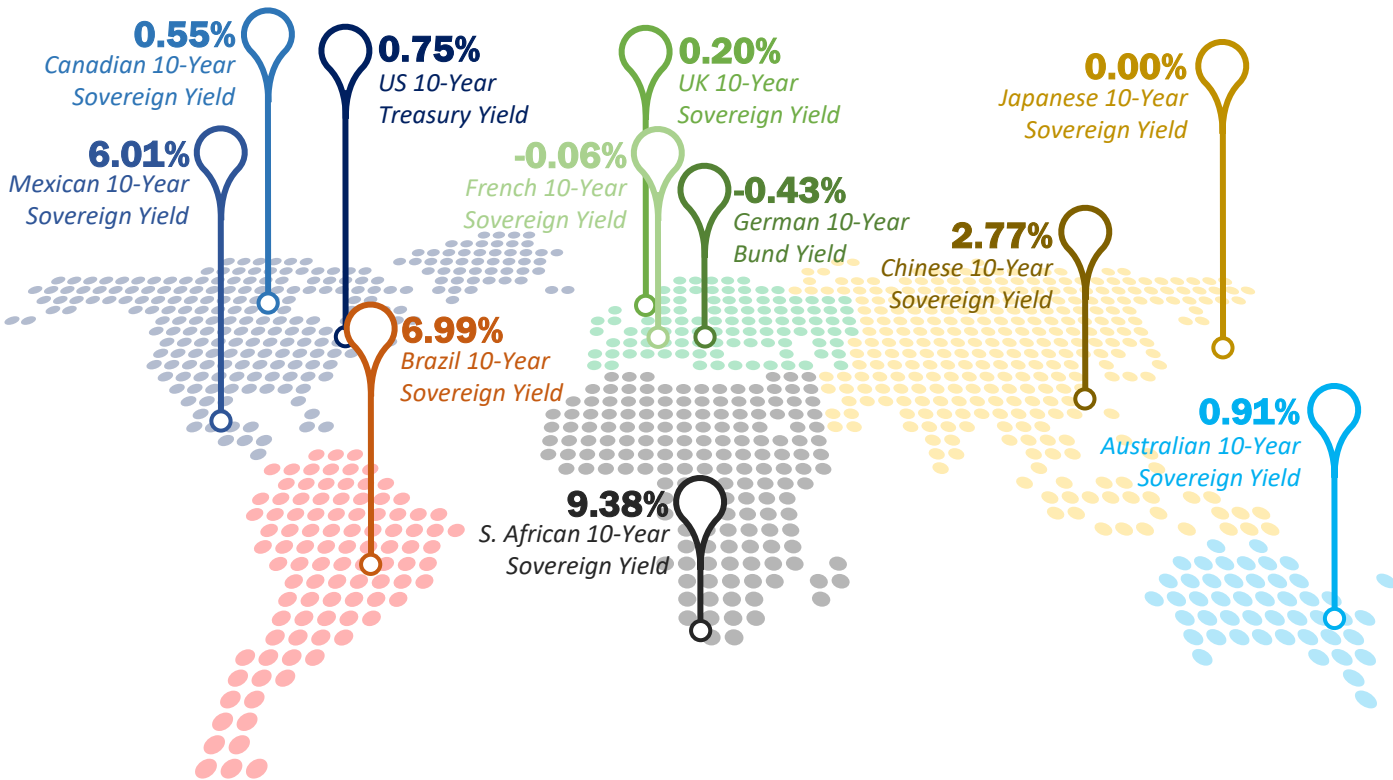
July 1st: Tree Line completes fourth consecutive month during COVID where 34 of 36 portfolio companies made cash interest payments (35 expected August 1st)

— LSTA 100 (YTM)
— Dow Jones Industrial Average

Please refer to the important notes section on pages 30-31 for source and footnotes.

YieldDiversersion

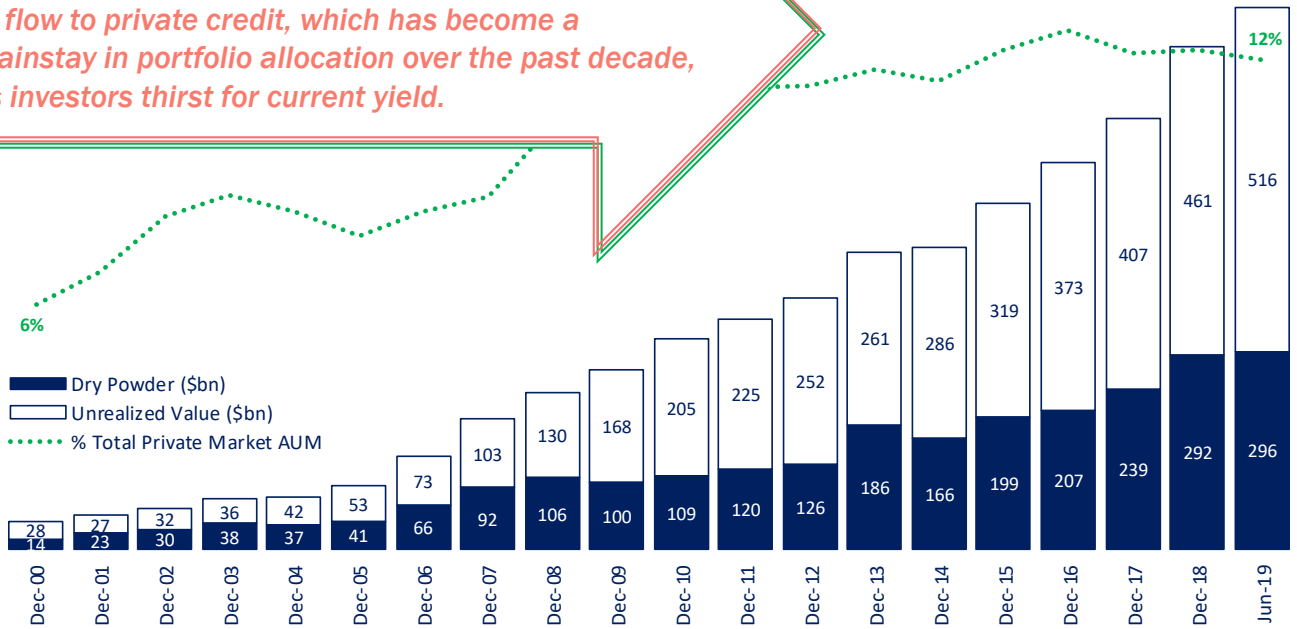
Global monetary policy, and macroeconomic conditions have driven yields to near zero for the foreseeable future. **Private credit continues to offer a solution.**



<p>TREE LINE PORTFOLIO</p>	<p>1.4% LIBOR FLOOR</p>	<p>9.8% YIELD TO MATURITY</p>
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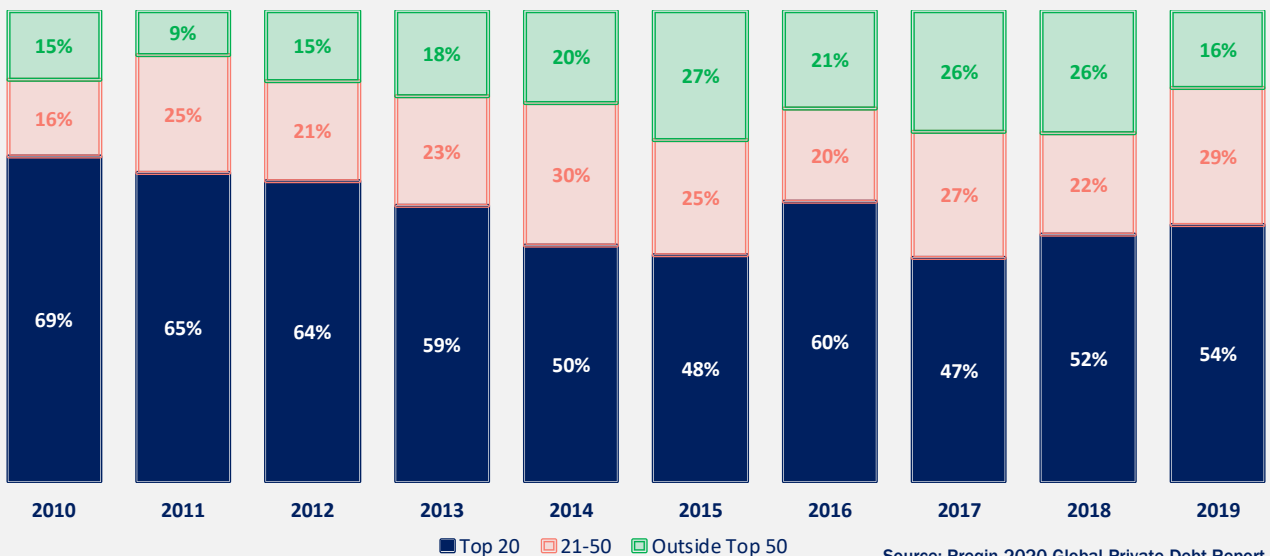
Crowded Trade

Credit Alternatives AUM Trend *Capital continues to flow to private credit, which has become a mainstay in portfolio allocation over the past decade, as investors thirst for current yield.*



Source: Prequin 2020 Global Private Debt Report

Concentration at the Top *Investors continue to place capital with the largest platforms ostensibly ignoring significant adverse trends developing throughout an economic expansion.*



Source: Prequin 2020 Global Private Debt Report

Strategy Size

Niche private credit investors will be able to demonstrate an ability to outperform.

Limited Partners continue to gather on large platforms taking comfort in the age and size of a platform. We would agree that these are compelling attributes, but it is often the niche platforms that are able to outperform with an ability to be nimble and selective when

approaching the peak of a cycle. The mistakes made by the biggest and the “best” show the flaws when having too much capital to put to work in an asset class where fundamentals matter.

BSL/Middle Market Mistakes

*Missing Fundamentals
in the Search
For Yield*

85%

*Cov-Lite Share of
BSL Market²³*

6.3x

*Average Leverage in Q4'19
Leveraged Loan Issuance²⁴*

12%

*Wells Fargo' Estimated Default Rate for
Leveraged Loans during 2020²⁵*

60%

*Estimated Recovery Rate on Leveraged
Loans by Moody's²⁶*

Lower Middle Market **Focused**

Growing our Share of a **Growing Pie**

69%

Portfolio Investments Sourced from Repeat/Referral Relationships

686

Unique Tree Line PE Sponsor Relationships

3,012

Cumulative Opportunities Originated

\$1.6_B

Commitments Issued Since Inception

96%

Agent/
Lead Lender



Tree Line Delivers

**Yield
&
Discipline**

Growing to Meet Investor Needs

2019

AUM: \$1.2B
FMV: \$871M

2020^{YTD}

AUM: \$1.4B
FMV: \$900M
LAUNCH SBIC FUND
EXPAND FOOTPRINT
INTO LOS ANGELES
AND AUSTIN, TX

2017

AUM: \$551M
FMV: \$404M

2018

AUM: \$1.0B
FMV: \$543M

2015

AUM: \$225M
FMV: \$91M

2016

AUM: \$335M
FMV: \$242M

2014

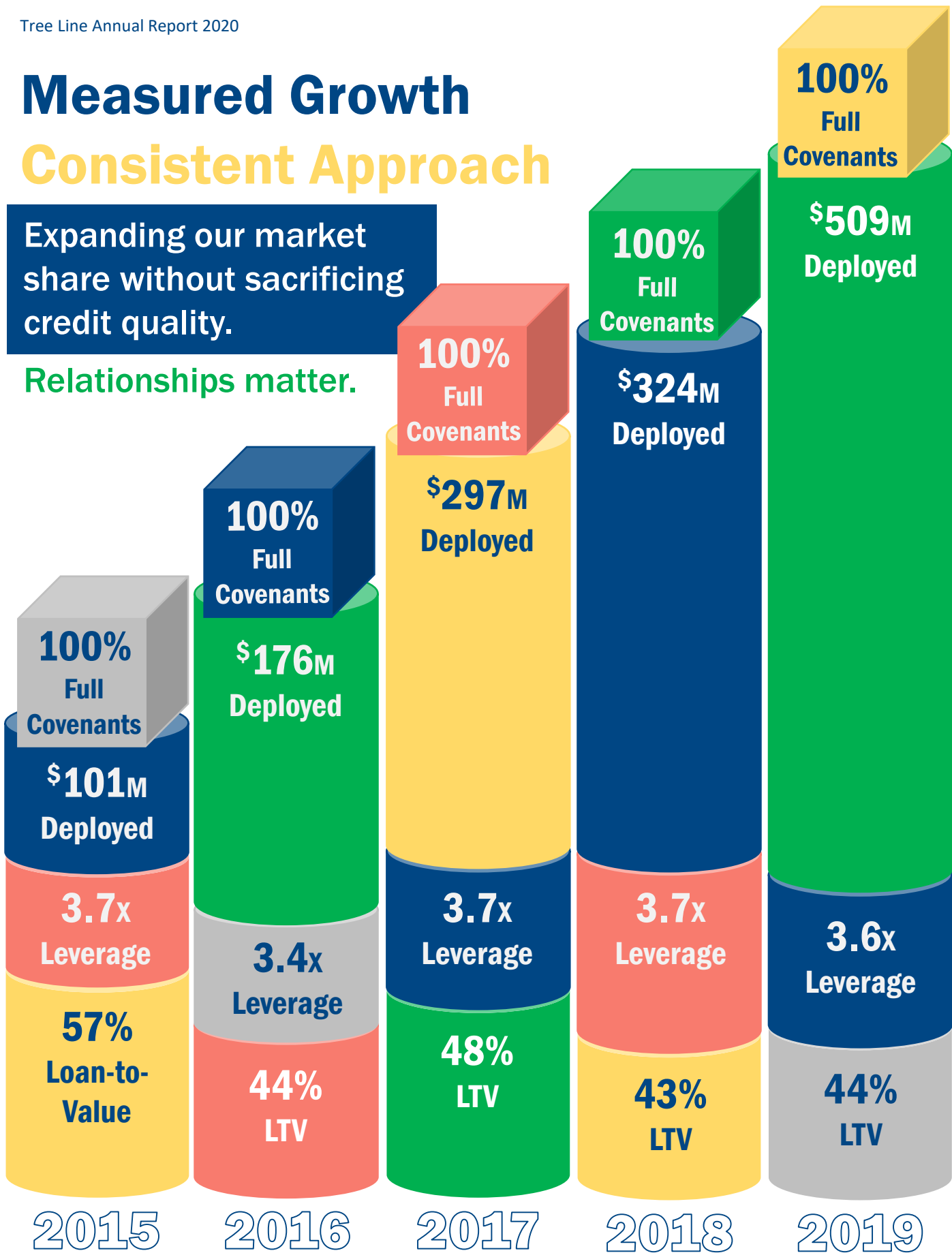
AUM: \$100M
FMV: \$18M

Measured Growth

Consistent Approach

Expanding our market share without sacrificing credit quality.

Relationships matter.



Please refer to the important notes section on pages 30-31 for source and footnotes.
 Note: Deployment metrics above reflect total annual lending commitments.

Market Divergence

Broadly Syndicated / Middle-Market Statistics

6.3x⁺

Total Leverage

⁺Refinitiv LPC as of Q4 2019

85%[^]

Cov-Lite Share of US Leveraged Loan Market

[^]S&P Global Market Intelligence (LCD)

6.3%[‡]

Yield To Maturity

[‡]S&P/LSTA LLI YTM as of March 1, 2020

6.25%^{*}

Non-Accruals

^{*}CDLI as of March 2020

Lower Middle-Market / Tree Line Statistics

3.6x

Total Leverage

ZERO

Covenant Light Transactions

9.8%

Yield To Maturity

1.9%

Non-Accruals

Buy & Build

With valuation multiples elevated throughout the private markets, sophisticated Private Equity Sponsors have increasingly turned to buy-and-build strategies in the Lower Middle-Market to take advantage of more attractive valuations and the opportunity for multiple arbitrage.

Tree Line has provided follow-on financing for **50 add-on acquisitions with \$351M in capital** to help transform regional and niche leaders in the Lower Middle Market into larger, stronger, and more diversified businesses that attract premium valuations in today's markets.



Platform A (13 Add-ons)
 Dec '15: \$5m EBITDA
 Mar '20: \$39m EBITDA

Platform B (12 Add-ons)
 Dec '16: \$4m EBITDA
 Mar '20: \$16m EBITDA,

Platform C (3 Add-ons)
 EBITDA:
 June '19: \$4m
 Mar '20: \$17m

Please refer to the important notes section on pages 30-31 for source and footnotes.

Discipline
at the Peak

Opportunity

at the Trough



Chance Favors **Only** the Prepared Mind.

– *Louis Pasteur*

COVID exposed many lenders carrying too much risk or too little liquidity. In late March and into Q2 2020, many lenders dumped revolving commitments they could not cover, explored not funding through Material Adverse Effect clauses and suffered tighter restrictions from fund leverage providers. A significant amount of lending capacity has been sidelined as a result of COVID.

Tree Line remains healthy, liquid and poised to capitalize on the further dislocation in the lower middle-market to middle-market. Our opportunity set is expanding at an incredibly valuable time where we can underwrite companies from a recent stress test. The data available to us today is the best data we've had in nearly 10 years. Being able to successfully deploy at the peak of a cycle is the ultimate test of a lender and if done properly, the reward counterintuitively lies at the bottom of the cycle.

BDCs

55.3% Avg. Price/NAV of BDCs
<\$500M Market Cap

Banks

350% Increase in Bank Loan
Loss Provisions

Tree Line COVID Performance

ZERO

Payment Defaults

99%

Portfolio Companies
Paying Cash Interest

96%

Agent / Sole Lender
/ Lead Arranger

100%

Portfolio Companies Fully
Operational by June 2020

4 MONTHS

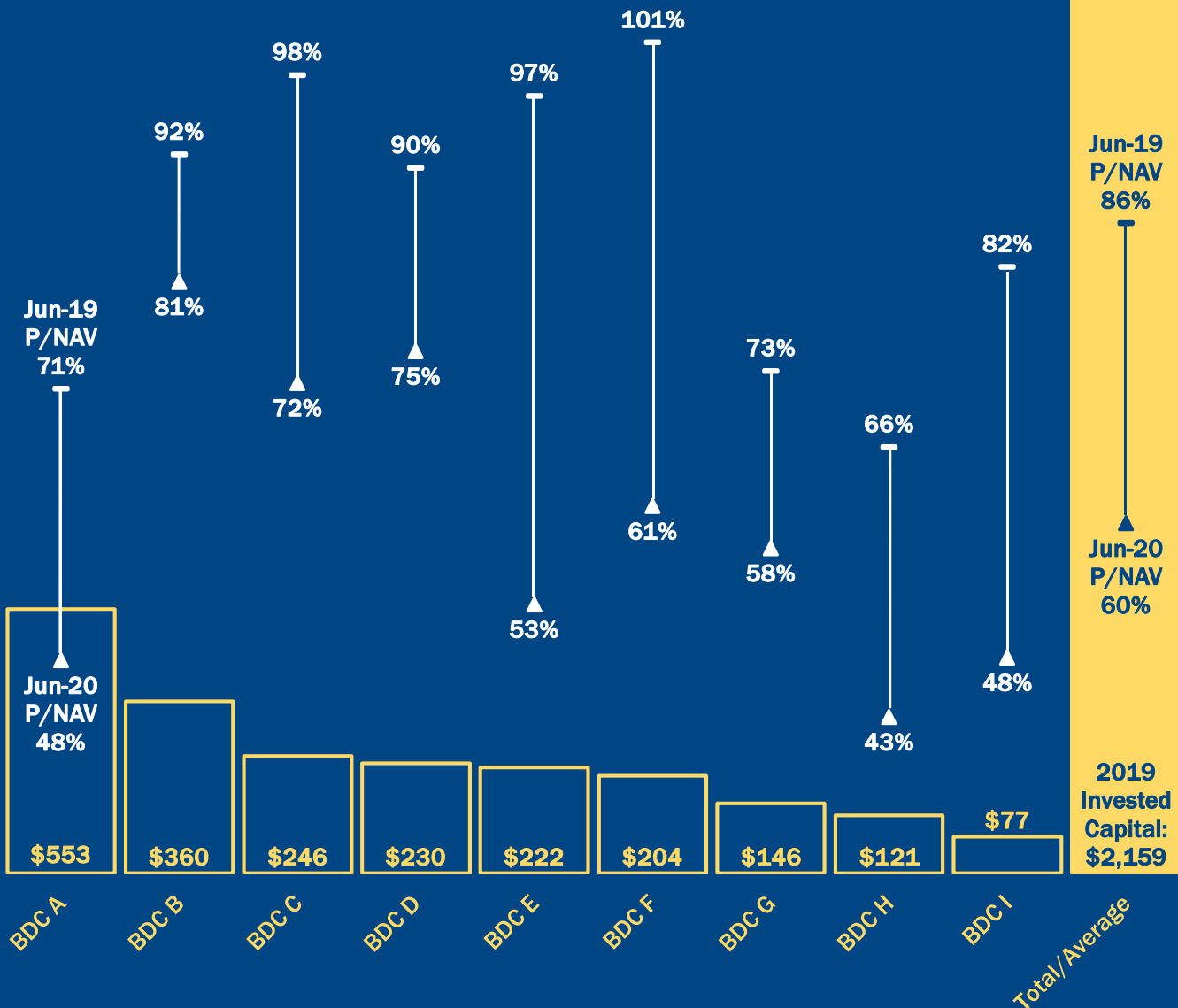
Avg. Borrower Liquidity
Runway with No Revenue

32 of 36

Portfolio Companies
Owned by PE Sponsors

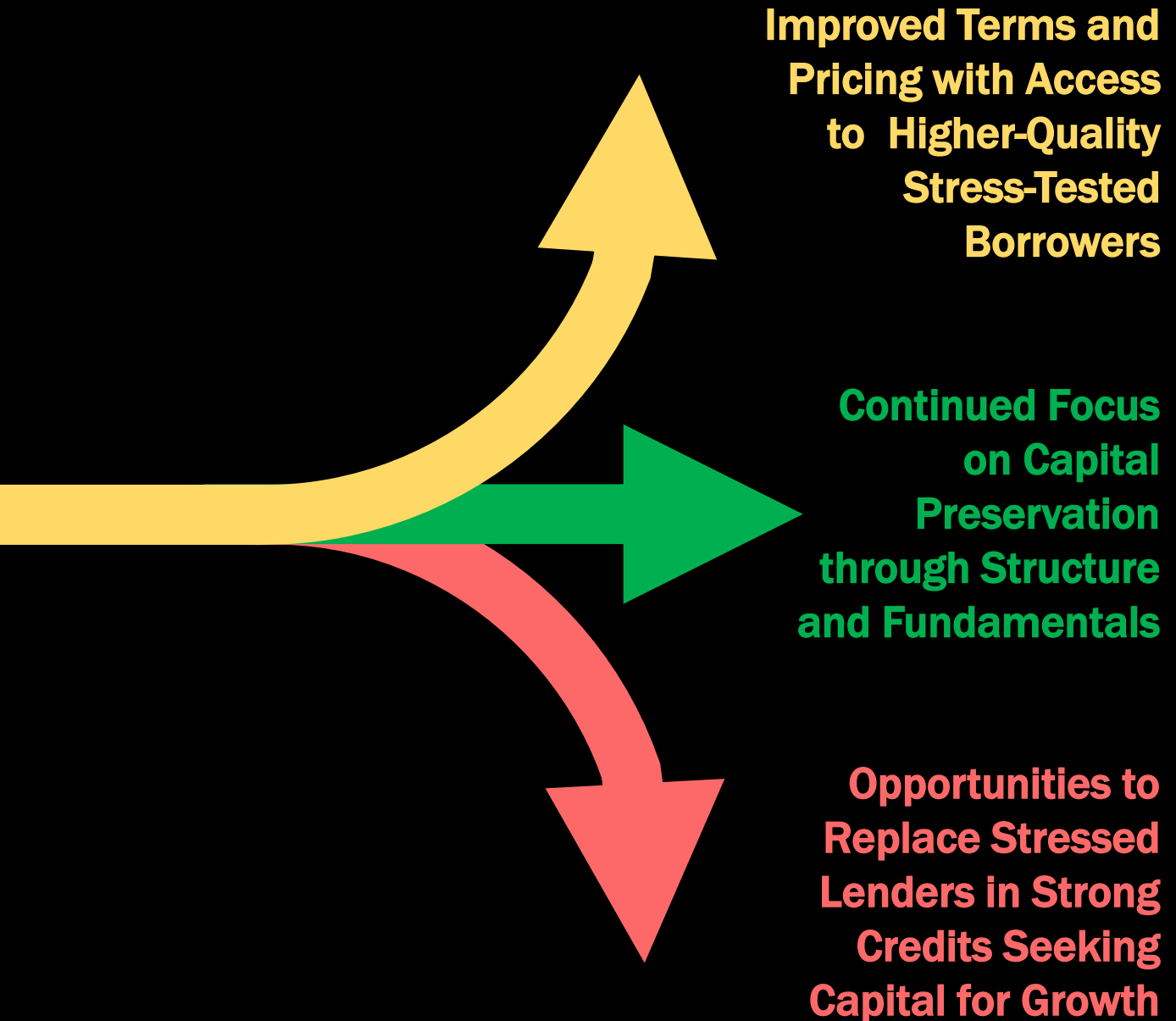
Competition Sidelined

Valuation pressures have severely constrained a major segment of the direct lending marketplace with **public BDCs that represented \$2.1B of LMM origination in 2019** now trading at **~40% discounts to book value** and opening the door for reduced competition.



Patience & Discipline **Rewarded**

Investing at the trough provides healthy, liquid, and disciplined lenders the opportunity to capture peak risk-adjusted returns.



Disclaimer

Opinions

Opinions expressed through page 30 are those of Tree Line Capital Partners, LLC as of July 2020 and are subject to change.

Tree Line Data Points

All data through page 30 reflects YTD March 2020, unless otherwise noted.

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This presentation contains forward-looking statements relating to the plans, objectives, opportunities, future performance and business of Tree Line Capital (as defined on the Footnotes / Glossary page) and the future performance of the debt markets in North America generally. Statements regarding anticipated returns, forecasts and projections rely on a number of economic and financial variables and are inherently speculative. Forecasts relating to market conditions, returns and other performance indicators are not guaranteed and are subject to change without notice. Forecasts are based on complex calculations and formulas that contain substantial subjectivity and no express or implied prediction is made hereby with respect to TLDL, TLCL (SC), TLCS, TLDL II. There can be no assurance that market conditions will perform according to any forecast or that Tree Line Capital will achieve its objectives or that investors will receive a return of their capital. Target returns are based on a number of assumptions related to the market factors relevant to the proposed investment strategy, including, but not limited to, interest rates, supply and demand trends, and the terms and costs of debt financing. Further, past performance is not indicative of future results. Investors are cautioned not to place undue reliance on any forward-looking statements or examples included in this presentation and Tree Line Capital does not assume any obligation to update any forward-looking statements.

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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. TLCS refers to Tree Line Credit Strategies, LP. TLCS is managed by Tree Line Capital (as defined below).
5. SMA refers to Tree Line Swiss Capital Debt Fund, LP. Tree Line Capital (as defined below) serves as the advisor to the SMA.
6. Tree Line Funds refers to TLDL, TLDL(SC), TLDL II.
7. All Funds refers to TLDL, TLDL (SC), TLDL II, TLCS and SMA.
8. "SBIC Fund" refers to a formed but yet to be licensed issuer, that, if approved by the SBA, will be a SBIC under the SBA Program, will be a successor fund to SBIC I and will be managed by Tree Line Capital.
9. Tree Line Capital, Tree Line, and TLCP refers to Tree Line Capital Partners, LLC.
10. 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.
11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. Intentionally Omitted.
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. "Realized Gross IRR" figures are used herein instead of "Net Realized IRR" as a "Net Realized IRR" cannot be reasonably calculated on a per investment basis or a discreet group of investments. "Realized Gross IRR" and "Realized Gross MOIC" figures are calculated before giving effect to fund-level expenses, management fees and carried interest, which reduce returns to investors. The "Realized Gross IRR" figures are gross internal rates of return, meaning aggregate, compounded, annual gross rates of return on investments, calculated on a monthly basis. "Realized Gross MOIC" is the ratio of the realized proceeds from the applicable investment to the aggregate amount invested by a Fund in such portfolio company. "Realized Gross IRR" and "Realized Gross MOIC" are calculated before taxes to investors. There can be no assurance that the past performance of the Funds and its investments will be replicated or that any future investments of the Funds will have performance attributes comparable to the investments described herein. Past performance is not indicative of future results.
19. The S&P/LSTA U.S. Leveraged Loan 100 Index ("LLI") is designed to reflect the performance of the 100 largest actively traded loan facilities in the leveraged loan market. Data sourced directly from Standard & Poors at spglobal.com.
20. The S&P 500 Bond Index is designed to be a corporate-bond counterpart to the S&P 500, which is widely regarded as the best single gauge of large-cap U.S. equities. Market value-weighted, the index seeks to measure the performance of U.S. corporate debt issued by constituents in the iconic S&P 500.
21. Cliffwater LLC "2020 Q1 Report on U.S. Direct Lending". The Cliffwater Direct Lending Index (the "CDLI") is an asset-weighted index of over 6,000 directly originated middle market loans totaling \$115 billion in assets as of March 31, 2020. The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of Business Development Companies ("BDCs"), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. The CDLI is asset-weighted by reported fair value. Other industry participants may make different determinations regarding the focus of these BDC portfolios.
22. "BDC" refers to publicly traded Business Development Companies, as defined by the amended Investment Company Act of 1940. All data points relating to BDCs herein are sourced from public SEC disclosures accessed via the online EDGAR platform.
23. S&P Global Market Intelligence Leveraged Commentary and Data
24. Refinitiv LPC Loan Connector Q1 2020
25. Sourced from Wells Fargo Leveraged Loan Research as referenced in Grant's Interest Rate Observer: Almost Daily Grant's (July 9, 2020: The Hunter Gets Captured by the Game)
26. Moody's Investor Service Q1 2020 Leveraged Loan Report on Covenants and Recoveries, as referenced in Bloomberg on May 4, 2020.
27. Dow Jones Industrial Average (The Dow) referenced herein as "DJIA" is a registered trademark of S&P Global. DJIA is a price-weighted index of 30 U.S. blue-chip companies covering all industries except transportation and utilities. Data sourced directly from Standard & Poors at spglobal.com.



2020 ANNUAL REPORT

