



**INVEST/STAY CONNECTED**

INITIAL REPORT AUGUST 23, 2024

LAST UPDATED AUGUST 23, 2024

## SLR INVESTMENT CORP.

We are an industry leader in analyzing publicly traded loan portfolios and cover over \$60 billion in portfolios. Our reports are available in our [library](#). Our proprietary algorithms forecast default ratios, recoveries and cash flows, which has allowed us to successfully predict the trajectories of the individual portfolios and dividends. SLRC is a smaller originator and manager of corporate loans to smaller companies, with a disciplined approach consisting almost exclusively of first lien senior secured notes.

SLR Investment Corp. (SLRC) is a business development corporation, or BDC, the BDC designation allows for profits to be distributed to shareholders, similar to a REIT. Currently, SLRC is trading at a 15% discount to net asset value and with a current yield of 10.7%. The share dividend is close to 700 basis points (BP) over the 10-year treasury and 500 BP over the high yield index.

As of June 30, the SLRC [portfolio](#) was \$2.1 billion and was diversified amongst 800 unique issuers and is 98% senior secured investments. 64% of the portfolio is asset-based (ABL) or equipment finance. 24% of the portfolio is company loans and 11% are Life science loans. SLR Capital Partners has a dedicated team of life science investment professionals who specialize in providing loans to healthcare companies. Borrowers are typically later stage drug and medical device developers, diagnostic, healthcare IT and healthcare services companies, with substantial equity invested to date. Notable borrowers include BridgeBio Pharma ([BBIO](#)).

On the recent conference call management commented: “We believe the recent stability of our NAV reflects our multi-strategy senior secured portfolio.” and “Our net investment income per share in the second quarter reached the highest level in five years reflecting our deliberate approach in rebuilding the investment portfolio after a period of conservatism during the onset of COVID.”

Our buy rating and price target of \$16.50 reflect the portfolio stability due to the concentration in asset and equipment-based finance and the fact that 98% of the portfolio is in the form of first lien senior secured loans. We believe this stability will contribute to the continued success of SLRC and ultimately lead to a reduction in the discount to net asset value.

**\$15.35 / Recommendation: BUY, target \$16.50**

### Company Stats & Estimates \$

Current Yield	10.7%
Shares Outstanding	55mm
Equity Market Cap	839
Total Assets	2,448
Total Liabilities	1,445
2024 Investment Income	243
2024 Distributable EPS	1.88
2025 Distributable EPS	2.12
2024 Distributable Earnings	102
2025 Distributable Earnings	116
2024 Current Cash Flow Yield	<b>12.21%</b>
Enterprise Value	1,993
<b>Dividend coverage @1.64</b>	<b>114%</b>
Price to Dist Earnings / Share	8.2
2024 YE book value / share	<b>\$18.05</b>
2025 YE book value / share	\$18.06
2026 YE book value / share	\$18.07

### [SLRC INVESTOR RELATIONS](#)



# SMART YIELD

Income Fund

## BROXTON CAPITAL ADVISORS SLRC as of 6/30/2024

Friday, August 23, 2024

share price \$15.38

### PROJECTIONS IN MM fiscal yr

	2024	2025	2026
<b>Income Statement</b>			
<b>Investment Income</b>	243	250	258
Management fees	31.66	33	34
Performance incentive fees	24.5	26	27
Interest and other credit facility expenses	74	65	65
<b>Total Expenses</b>	141	135	137
<b>Net Investment Income</b>	102	116	120
Net Realized/Unrealized loss	15	20	20
Income	87	96	20
<b>Net Income / Share GAAP</b>	1.60	1.75	1.84
Available Dist. Earnings	102	116	120
<b>Available Dist. Earnings / Share</b>	1.88	2.12	2.21

<b>Projected Dividend</b>	1.64	1.74	1.83
Projected Dividend Coverage %	114%	122%	120%
Price to Dist Earnings / Share	8.2	7.3	7.0

<b>Valuations</b>			
<b>Available Dist. Earnings Yield</b>	12.2%	13.8%	14.4%
Projected Dividend Yield	10.7%	11.3%	11.9%
PE ratio	9.6	8.8	8.4
Enterprise Value	1,993		
Equity Market Cap	839	839	839

<b>Capital Structure</b>			
<b>Shares outstanding</b>	55		
	1,154		

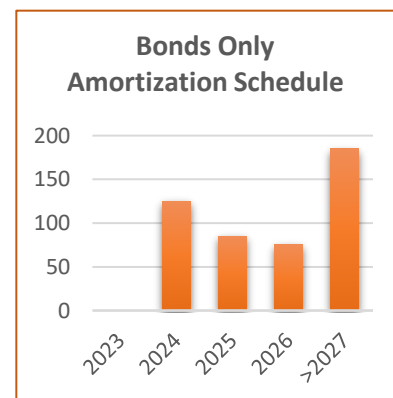
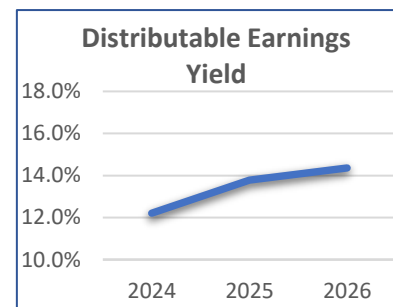
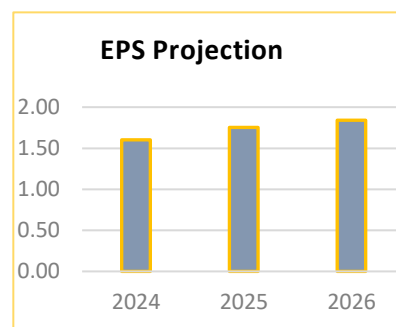
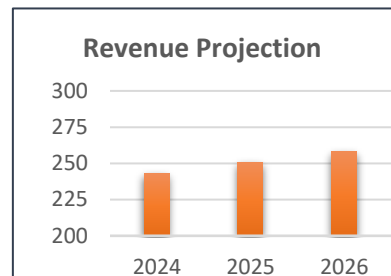
Bank & Bond debt

<b>Liquidity</b>		as of 6/30/24	
Cash	274		
Borrowing Availability est.	200+		
Total Assets	2,448		
Total Liabilities & PFD	1,445		
Ratio	169%		

<b>Book Value</b>			
Estimated BV / Share	\$18.05	\$18.06	\$18.07

Book Value

NOTES:



**Disclosures**

Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. All securities types mentioned in this brochure have the risk of loss. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling, technical analysis, proprietary and third-party research. Smart Yield does not have any capitalization (market size), sector or industry allocation mandates. Asset class allocation percentages may be changed without notice. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used for hedging and as a long term or short-term strategy. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded, or financial performance falls below our projections. Since Smart Yield returns will be calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton offers Smart Yield for other investment managers. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. Nothing contained herein constitutes a recommendation to purchase or sell securities at any designated price or time. Targeted performance does not guarantee future results. 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