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Performance of specific assets is presented on a gross basis without taking into account the effect of fund-level management and incentive fees, or other fund-level expenses. Had such other expenses been included, the indicated returns would be lower. Additional information on fees are described in Torchlight’s Form ADV and in the offering documents of the fund. Case studies are summary in nature and do not necessarily include all material details.

Fund-level IRRs and equity multiples are net of fees and expenses; investor-level returns may vary, depending on timing of subscription and potential taxes specific to the investor. Fund-level IRR and equity multiple calculations include capital contributions from non-fee-paying investors (GP and affiliates); these contributions account for less than 1% of committed capital and do not materially affect the Fund’s reported net returns. Actual returns of investors may be materially lower than those projected depending upon the extent and manner in which actual market, economic and asset specific conditions vary from Torchlight assumptions. Projections involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Projections are inherently subjective and may be based on information that has been obtained from third-party sources and has not been verified by Torchlight. There can be no assurance that the projected performance will ultimately be achieved by the Torchlight funds or specific assets.

Each fund described herein is or was managed as a separate portfolio with its own investments, objectives, policies and risks. Accordingly, performance of the funds described herein may not be an appropriate source of comparison for other Torchlight Funds. Additional information related to the methodology used herein, or the specific positions in the portfolio, will be provided upon request. The earlier funds in the Debt Fund series were named “Torchlight Debt Opportunity Fund” and are referred as “Torchlight Debt Funds” for consistency.
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Certain information discussed in this presentation, including references to estimated investment returns, constitutes forward-looking statements within the meaning of U.S. federal securities law. Although Torchlight believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. Among other matters, Torchlight has made various assumptions regarding interest rates, market cycles, default rates, commercial real estate fundamentals and correlations among them. Forward-looking information is subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those predicted. In particular, no assurance can be offered that any estimated investment return expectation will be achieved or that any referenced investment strategy will be implemented successfully. This presentation is intended to be viewed solely by a sophisticated investor who has, or together with the investor’s professional adviser, has significant experience in real estate-related assets. Any person reviewing this presentation is encouraged to discuss the limitations of this presentation, especially those relating to Torchlight’s assumptions and relevant risks and uncertainties, both with Torchlight’s representatives and any professional advisers retained by the reviewer.

Torchlight undertakes no obligation to update these materials.

Scenario Assumptions

The Torchlight Base Case and Downside scenarios are based upon assumptions and analysis regarding future events and conditions as described below. The Base Case makes assumptions about the timing and nature of the economic recovery from the COVID-19 pandemic and assumes the economic environment, credit markets and real estate fundamentals are relatively stable following recovery. The Downside scenario is not intended as a worst-case scenario but rather is based on projections, estimates and assumptions that are less favorable than Torchlight’s Base Case assumptions, including assumptions related to the economic recovery from the COVID-19 pandemic. Actual performance can be lower than the Downside scenario.

The market values of publicly traded securities are based on information from one or more of the following sources: quotations from dealers, third party pricing services and market transactions of comparable securities. The market values of private assets are based on a methodology which uses comparable market data specific to the underlying loans and properties such as market capitalization rates, market rents, vacancy levels, etc. To the extent an asset is illiquid or otherwise difficult to value, we may apply our judgment and in reaching a valuation. Such values may differ from the values that would have been determined had a broader market for the assets existed and the differences could be material. This is particularly true in light of the uncertainties surrounding the COVID-19 pandemic.

Projections are based upon certain assumptions and analysis regarding future spreads, default rates, interest rates, market trends and industry trends, as well as factors relating to specific assets, such as an individual property’s most recent operating statements and lease rollover information. Reviews of individual assets are used to adjust baseline assumptions made by Torchlight regarding cap rates, rental rates and vacancy rates among different property types. In the analysis Torchlight may consider the likelihood and severity of mortgage default, extensions of maturity and future investment activity.

The targeted return for Torchlight Debt Fund VII does not represent a projection of the returns that will be achieved by investors in Fund VII. Rather, it represents the returns that Torchlight believes can be achieved under Torchlight’s Base Case scenario in light of the Fund’s investment strategy.
Daniel Heflin
Partner, Chief Executive Officer, Co-Chief Investment Officer

Daniel Heflin is the Chief Executive Officer and Co-Chief Investment Officer of Torchlight Investors. He is a member of the Investment and Operating Committees of the firm. In 1995, Mr. Heflin founded Torchlight Investors, an independent SEC-registered investment advisor. Under Mr. Heflin’s management, Torchlight has acquired over $23 billion in commercial real estate investments and currently manages over $2.8 billion in capital. Torchlight has sponsored ten investment funds for institutional clients in opportunistic, value-add and hedge fund strategies for institutional investors, including public and corporate pension funds, endowments and foundations, and sovereign wealth funds. Mr. Heflin’s professional career includes over 33 years of fixed income and real estate experience. Prior to Torchlight, Mr. Heflin held positions at Ocwen Financial Corporation, Credit Suisse and Arthur Andersen LLP. While with Arthur Andersen, Mr. Heflin received his Certified Public Accountant license in the State of New York. He holds an MS from the London School of Economics and Political Science and a BBA from Texas Christian University.

Michael Romo
Partner, Managing Director

Michael Romo is a Partner in the investor relations group and has 27 years of professional experience. He is on the Board of Directors, as well as a member of the Operating Committee of the firm. Prior to Torchlight, Mr. Romo worked at Hawkeye Partners and Giuliani Partners. At Hawkeye Partners, Mr. Romo served as a member of the Management and Investment Committees in addition to his responsibilities as head of sourcing for new managers and marketing. Mr. Romo holds a BBA in Finance from Southern Methodist University.
The information above is as of 3/31/20.
The investors above were included in this list because they have recently invested in Torchlight sponsored funds and permit Torchlight to disclose their names. It is not known whether the investors listed above approve or disapprove of the advisory services provided by Torchlight Investors. Less than 0.5% of Torchlight is owned by a former colleague.

Firm

1995: Company is founded
1998: Special Servicing platform is formed
2002: ING purchases 40% of Torchlight
2010: Management buys back ING stake
Present: Torchlight is 100% employee owned

- $2.8 billion in assets under management

- Investment Types
  - Mortgages and mezzanine loans
  - Preferred equity
  - Equity
  - CMBS

- Distressed Debt Workout
  - Workout of 696 loans since inception with a total par amount of $10.9 billion
  - Management of 230 properties since inception totaling $2.3 billion of real estate equity

Torchlight Representative Investor List

Arkansas Teacher Retirement System
CenturyLink Investment Management Company
Clal Insurance Company
Contra Costa County Employees’ Retirement Association
Employees’ Retirement System of the State of Hawaii
Employees’ Retirement System of Texas
Houston Firefighters’ Relief and Retirement Fund
Illinois Municipal Retirement Fund
Laborers’ Pension Fund of Chicago
Los Angeles Water and Power Employees’ Retirement Plan
MoDOT and Patrol Employees’ Retirement System
Nebraska Investment Council
New York City Retirement Systems
San Diego City Employees’ Retirement System
State of Wisconsin Investment Board
Sutter Health
Texas Municipal Retirement System
Texas Treasury Safekeeping Trust Company
United Food and Commercial Workers International Union
Utah Retirement Systems
West Virginia Investment Management Board
**Firm Organization**

### Torchlight Senior Team
Average Experience: 21 Years

**Investment Professionals**

- **Daniel Heflin***
  - CEO, Co-CIO
  - London School of Economics (MS)
  - Texas Christian University (BBA)

- **Marc Young***
  - Co-CIO
  - Temple University (MBA)
  - Penn State University (BS)

- **Michael Butz***
  - Investment Management
  - Lehigh University (BS)

- **Samuel Chang***
  - Investment Management
  - Columbia University (BS)

- **Gregory Dineen***
  - Chief Credit Officer
  - Villanova University (BS)

- **Wayne Gavioli***
  - Investment Management
  - Harvard University (AB)

- **Gianluca Montalti***
  - Asset Management
  - University of Chicago (MBA)
  - University of Michigan (BBA)

- **Marc Young***
  - Co-CIO
  - Temple University (MBA)
  - Penn State University (BS)

- **Robert Kopchains***
  - Investor Relations
  - New York University (MBA)
  - Middlebury College (BA)

- **Michael Rojo***
  - Investor Relations
  - Southern Methodist University (BBA)

- **Jennifer Yuen***
  - Investor Relations
  - New York University (MBA)
  - New York University (BS)

**Financial Control and Investor Relations**

- **Felipe Dorregaray***
  - Chief Operating Officer
  - The American University (MBA)
  - University of Miami (BS)

- **Angela Johnson***
  - Investor Relations
  - Harvard University (MBA)
  - University of Texas (BBA)

- **Robert Kopchains***
  - Investor Relations
  - New York University (MBA)
  - Middlebury College (BA)

- **Michael Rojo***
  - Investor Relations
  - Southern Methodist University (BBA)

- **Jennifer Yuen***
  - Investor Relations
  - New York University (MBA)
  - New York University (BS)

### Torchlight Organization

- **Investment Management**
  - Acquisitions
  - Deal Structuring
  - Portfolio Management
  - Risk Management

- **Asset Management & Credit**
  - Credit Underwriting
  - Business Plan Execution
  - Loan Workout
  - Management of Real Estate Equity

- **Financial Control**
  - Accounting
  - Human Resources
  - Compliance
  - Operations

- **Investor Relations**
  - Relationship Management
  - Client Reporting
  - Business Development
  - Marketing

* Indicates Investment Committee, + Indicates Partner
COVID-19 Economic Implications

Since March, COVID-19 has infected more than 8 million people worldwide, bringing economic uncertainty

<table>
<thead>
<tr>
<th>U.S. Economic Impact (as of April 30, 2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced air travel and tourism</td>
</tr>
<tr>
<td>Financial market volatility</td>
</tr>
<tr>
<td>Forced shutdown of non-essential businesses</td>
</tr>
<tr>
<td>Supply/demand imbalance in energy</td>
</tr>
<tr>
<td>Historic highs in unemployment</td>
</tr>
<tr>
<td>26%</td>
</tr>
<tr>
<td>Hotel Occupancy</td>
</tr>
<tr>
<td>82.7</td>
</tr>
<tr>
<td>CBOE Volatility Index Hits All Time High on March 16th</td>
</tr>
<tr>
<td>46</td>
</tr>
<tr>
<td>States Closed Non-Essential Businesses</td>
</tr>
<tr>
<td>-$40.32</td>
</tr>
<tr>
<td>Price per Barrel of WTI Crude Oil Futures Hits All Time Low on April 20th</td>
</tr>
<tr>
<td>14.7%</td>
</tr>
<tr>
<td>U.S. Unemployment Rate</td>
</tr>
</tbody>
</table>

Source: Smith Travel Research, CBOE, West Texas Intermediate, Department of Labor

The price per Barrel of WTI Crude Oil futures reflects an intra day price.
Equity Markets

Dow Jones Industrial Average
(July 1950 through June 2020)

As of 6/16/20
Historical data is not adjusted for inflation.
Source: S&P Dow Jones Indices
To date, the U.S. government has authorized $3.1 trillion of stimulus spending to combat COVID-19; $1.2 trillion more than the 2008 stimulus.

Source: Federal Reserve Bank of St. Louis
Congressional Budget Office

Federal Reserve Balance Sheet
(December 2002 through June 2020)

Total Deficits or Surpluses
(1980 through 2030)

CBO Forecast

3/6/20
Torchlight believes it has sourcing advantages for acquiring distressed notes. 

**Cumulative Commercial Mortgage Maturities** 
(January 2020 through December 2024) 

**BMAL Conduit CMBS** 
Cumulative Projected Defaults 
(May 2020 through May 2027) 

Source: Trepp, BMAL
Real Estate Debt Opportunities

Torchlight’s ability to invest in public and private commercial real estate debt enables it to identify and pursue opportunities with the most favorable risk adjusted returns.

### Opportunistic Securities
- Investment Grade CMBS
- Interest Only Strips
- Freddie Mac K-Series

### Private Investments
- Distressed Note Acquisitions
- Recapitalizing Distressed Deals
- Acquisition Financing for Local Operators

### Rescue Capital
- Whole Loan Portfolio Sales
- Liquidity for Entity Level Investments / Recapitalizations
Torchlight believes that the current commercial real estate environment presents an attractive investment opportunity to achieve net returns of 10% to 12%

Portfolio Construction
Debt Fund VII will seek to blend investments with varying degrees of risk and return. Torchlight’s priorities include:
- High Cash Yield
- Mitigate Downside Risk
- Disciplined Underwriting
- Investments with Potential Upside

Initial Target Portfolio Allocation
- Public Market Investments 30%
- Private Market Investments 70%

Torchlight Debt Fund VII
Summary of Fund Terms

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Capital Commitments</td>
<td>$1.5 billion</td>
</tr>
<tr>
<td>Capital Commitments to Date</td>
<td>$618 million</td>
</tr>
<tr>
<td>Investment Period</td>
<td>3 years from the Final Closing Date</td>
</tr>
<tr>
<td>Target Net Return</td>
<td>10% to 12%</td>
</tr>
<tr>
<td>Target Distribution Rate</td>
<td>6%+ per annum (once fully invested)</td>
</tr>
<tr>
<td>NIC Management Fee</td>
<td>1.25% on committed capital¹</td>
</tr>
<tr>
<td>Incentive Fee</td>
<td>20% incentive fee subject to an 8% preferred return and 50/50 catch-up</td>
</tr>
<tr>
<td>Term</td>
<td>10 years from the Final Closing Date with up to two one-year extensions</td>
</tr>
</tbody>
</table>

¹ Nebraska Investment Council annual management fee has been reduced for a 15 bp close discount and 10 bp consultant aggregation discount.

Targeted net annualized return of 10% to 12% is before tax that may be deducted on distributions payable to certain investors. There can be no assurance that the Fund will meet its investment objectives or otherwise carry out its investment program successfully. Torchlight’s targeted returns for Debt Fund VII do not represent a projection of the fund’s actual returns. Rather, they represent objectives for the Fund that Torchlight considers reasonable based upon Torchlight’s Base Case scenario assumptions. Net Returns reflect deductions for management fees and incentive fees. Please refer to Scenario Assumptions Disclaimers for additional details.
Investing in CMBS

Torchlight attempts to identify the mispricing of credit risk across the capital stack

**BBB & Below Investment-Grade**

**Tactic:**
- Invest at times when collateral is more resilient or where loans can be removed
- Hold to maturity or sell when loan metrics improve and/or spreads tighten

**Torchlight Debt Fund Results:**
- Invested: $2.5B
- Unlevered Gross IRR: 13.47%

**Freddie Mac K-Series**

**Tactic:**
- Invest at times when collateral is more resilient
- Hold to maturity, resecuritize when opportune or sell when loan metrics improve and/or spreads tighten

**Torchlight Debt Fund Results:**
- Invested: $905M
- Unlevered Gross IRR: 29.22%

**Interest-Only Strip Resecuritization**

**Tactic:**
- Target investments with expected maturity defaults
- Resecuritize to isolate extension windfall

**Torchlight Debt Fund Results:**
- Invested: $740M
- Unlevered Gross IRR: 16.03%

As of 3/31/20. The Debt Fund Series returns are presented as a separate composite track record because the Debt Fund Series are closed ended and employ a value-add investment strategy. Past performance cannot be considered as indicative of future results.
Torchlight finances a stable multifamily portfolio at an attractive basis

**Asset Highlights**
- Acquisition of a 16 property, 6,030 unit multifamily portfolio located across the Washington, D.C. and Baltimore, MD MSAs
- 96.3% occupied with a weighted average submarket occupancy of 94.1% over ten years, and 94.5% over five years
- Institutionally owned and well-maintained, with over $41MM of capital improvements invested in the portfolio since 2015
- Infill locations with population density (avg 240K population within 5-miles), attractive demographics ($87K median household income), stable demand drivers (government, healthcare, technology, education), and limited new supply (3.9% inventory growth since 2008)

**Investment Summary**
- Torchlight’s net last dollar exposure of $172K/unit compares favorably to recent trades of similar assets averaging over $200K/unit
- Stable submarkets which experienced rent declines of just 0.2% through the prior recession with occupancies never falling below 93.0%
- Given strong in-place occupancy, lack of new supply and recent upward pressure on market rents, the business plan includes an $80.2MM ($13K/unit) renovation budget to upgrade units with modern finishes to achieve rent premiums of $100/unit (7.3% increase)
- The portfolio is projected to generate sufficient cash flow to fund the full capital budget from operations while providing a 7.1% average cash yield

**Structure**
- Financed with 16 non-crossed, interest-only senior mortgages totaling $785.5MM from Freddie Mac with ten-year fixed rate coupons of 4.07%
- Sponsor contributed $100.8MM of equity at closing (inclusive of a $13.0MM letter of credit)
- Torchlight funded $288.0MM of preferred equity in two tranches: a Senior tranche ($200.0MM) and Junior tranche ($88.0MM), which collectively earn a 7.0% preferred return on cash flow and an 11.4% preferred return at a capital event while retaining a 32.5% upside participation

Acquired May 22, 2019. This case study is included as an example of a preferred equity investment. The descriptions above represent a summary and not all material details. Torchlight has made certain assumptions about market conditions, including spreads, default rates, and interest rates. Please refer to Scenario Assumptions Disclaimers for important information on default scenarios.