



SHENKMAN CAPITAL MANAGEMENT, INC.

- Manages **global banks loans** for MLC, since 2010.
- Manages approximately \$16 billion, across the world, as of 30 June 2011
- Origins dating back to 1985 - a pioneer firm in the leveraged finance market
- Majority of company owned by the investment team
- Located in New York and Connecticut, USA and London, UK
- Employs 32 investment professionals

In addition to building a world-class investment firm, Mark Shenkman has assembled one of the largest private collections of early American flags, with an emphasis on Presidential campaigns from 1840 to 1904.

Why MLC has chosen Shenkman Capital

Shenkman Capital has a strong focus on bottom-up fundamental credit research seeking to minimise defaults, an imperative in this sector of the loan market. They do this by focusing efforts on isolating a sub-set of the bank loan universe from which to construct portfolios that they consider to be strong fundamental issuers. The firm has shown strong stability in personnel and process over a twenty five-year timeframe, with well seasoned staff and an unwavering adherence to their proprietary credit rating process. The organisational structure of solid employee ownership bodes well for creating an environment conducive to long-term investing.



Mark Shenkman
President & Chief Investment
Officer.

Philosophy on investing

Shenkman Capital's investment principles consist of the following six pillars:

1. **Bottom-up, Fundamental Credit Analysis** - The deep research team conducts detailed credit analysis, follows a structured analytical process, and leverages their proprietary analytical tools.
2. **Broad Diversification** - Shenkman Capital seeks to mitigate risk through extensive diversification such as by industry, propriety score system, underwriter or sponsor.
3. **Direct Communications with Management** - Shenkman Capital understands and evaluates the competence of management, their strategy, and commitment to bondholders.
4. **Credit Committee, Disciplined Approach** - Shenkman Capital strictly adheres to the multiple steps required to approve a credit. The process culminates with a team oriented evaluation and decision regarding a credit.
5. **Monitor All Credits on an Ongoing and Systematic Basis** - The investment team continually reviews the credits which includes regular discussions with managements, industry experts and updating proprietary analytical tools.
6. **Comprehensive Reporting and Risk Control Systems** - Customized reports produced by the Portfolio Administration Department provide Portfolio Managers with detailed individual credit and portfolio data.

Investment process

The foundation of the investment decision-making process is in-depth fundamental credit analysis conducted by an experienced research team. The analytical process includes a thorough review of the issuers using public information, financial statements, discussions with company management, and in some cases discussions with competitors, vendors, customers and industry contacts. The analysis covers historical and projected operating performance and trends, including liquidity, cash flow and a break-even analysis. Shenkman Capital also focuses on capital structure, covenants, management track record, relative value, and a comparative industry analysis. The objective of this detailed review is to identify “money-good” bonds, ones which will meet income and principal payments, while simultaneously avoiding those issuers with high likelihood for default.

Analysts are assigned primary coverage for approximately two industries. Analysts provide presentations on the trends and events affecting their industries on a periodic basis. This research methodology provides a depth of knowledge regarding an industry, facilitates the credit analysis process within the sector, and stimulates debate during Credit Committee and Portfolio Manager Meetings pertaining to the sector. All new potential high yield issuers must be thoroughly researched, assigned a credit score, and presented by the Analyst to the Credit Committee. If the credit is approved by a two-thirds majority of the Committee, it is placed on an Approved List. Once an issuer is placed on the Approved List, Portfolio Managers determine if the credit qualifies for inclusion in a client’s portfolio based on client investment guidelines and prevailing relative value.

Portfolio Managers work together as a team to develop portfolio strategy. They uniformly agree on the overall strategy, as well as the status of securities on the Approved List (ie buy, hold or sell). Each manager, working from the Approved List of investments, has latitude to determine the actual credits used when implementing the portfolio strategy. Additional factors include a security’s suitability, industry allocations and the client’s investment guidelines and restrictions. It is important to note that Mark Shenkman, serving as Chief Investment Officer, has the ultimate authority and accountability with respect to portfolio strategy. The Chief Investment Officer is also responsible for the firm’s economic and high yield outlook. Although portfolios are ultimately constructed through the bottom-up security selection process, the CIO develops an outlook for the high yield market and the U.S. economy to determine macro strategy guidelines that relate to risk exposure.

Investment people



EXPERIENCED INVESTMENT MANAGEMENT TEAM

Senior Management	Title	Degree	Institution	Years Firm	Years Industry	Years High Yield
<i>Mark R. Shenkman</i>	President/CEO; Senior Portfolio Manager	DHL MBA BA	University of Connecticut George Washington University University of Connecticut	25	41	33
<i>Frank X. Whitley*</i>	Executive Vice President; Senior Portfolio Manager	MBA BS	Fordham University Seton Hall University	22	25	25
<i>Mark J. Flanagan CFA, CPA</i>	Executive Vice President; Portfolio Manager	MS BS	State University of New York at Albany	18	19	18
<i>Eric S. Dobbin</i>	Senior Vice President; Portfolio Manager	MBA BA	Duke University	4	22	22
<i>Steven N. Schweitzer</i>	Senior Vice President; Portfolio Manager	MBA BS	Bernard Baruch College State University of New York at Binghamton	14	14	14
<i>Raymond F. Condon</i>	Senior Vice President; Portfolio Manager	MBA BA	Fordham University St. John's University	7	34	10
<i>Justin Slatky</i>	Senior Vice President; Portfolio Manager	MBA BS	The Wharton School, UPenn	<1	12	12
<i>Beth P. Wablig*</i>	Vice President; Portfolio Manager	MBA BA	Columbia University Wheaton College	7	24	15
<i>Jonathan A. Savas*</i>	Vice President; Portfolio Manager	MBA BS	The Wharton School, UPenn Columbia University	6	23	17
<i>Nicholas R. Sarcese CFA</i>	Senior Vice President; Director of Credit Research	BS	New York University	8	15	12
<i>Jason L. Hodes</i>	Senior Vice President; Head Trader	BA	University of Wisconsin-Madison	15	15	15
<i>Total Years of Experience</i>				126	244	193

*Bank Loan Portfolio Managers. Frank Whitley, as Senior Portfolio Manager, has oversight over both Bank Loan and Bond Strategies

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