

EJF INVESTMENTS LIMITED

EJF INVESTMENTS LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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2023 PERFORMANCE HIGHLIGHTS

PERFORMANCE			
2023 Total Return ¹ (7.27)%		2022 Total Return ¹ 13.85%	
Total Return since inception ¹ 79.32%			
DELIVERED ON DIVIDENDS			
Dividends paid	2023 10.7p	2022 10.7p	
Annualised Dividend Yield ¹	2023 10.5%	2022 8.1%	
MARKET VIEW			
2023 Ordinary Share Price 101.5p	2022 Ordinary Share Price 132p		
2025 ZDP Share ² Price 120.0p	2025 ZDP Share ² Price 118.5p		
Market Capitalisation £62.1m	Market Capitalisation £80.7m		
ASSET PERFORMANCE			
2023 Net Asset Value £98.0m		2022 Net Asset Value £112.5m	
2023 NAV per Ordinary Share ¹ 160.0p		2022 NAV per Ordinary Share ¹ 184.0p	
2023 Share Price Discount to NAV per Ordinary Share ¹ 36.6%		2022 Share Price Discount to NAV per Ordinary Share ¹ 28.3%	
PORTFOLIO INVESTMENTS			
Securitisation & Related Investments £83.3m (31 December 2022: £104.7m)	Speciality Finance Investments ³ £10.3m (31 December 2022: £15.0m)	US Treasuries ³ £3.4m (31 December 2022: £1.5m)	US Bank debt £4.7m (31 December 2022: £nil)

¹ These are APMs as defined on pages 92 to 93.

² 2025 ZDP Shares mature on 18 June 2025.

³ Effective July 2023, US Treasuries were reclassified from 'Specialty Finance Investments' into a new category 'US Treasuries' to improve transparency. 2022 numbers have been reclassified for comparability purposes.

EJF INVESTMENTS LIMITED
PORTFOLIO SUMMARY

EJFI’s objective is to provide Shareholders with attractive risk adjusted returns through regular dividends and capital growth over the long term. EJFI generates exposure primarily to a diversified portfolio of loans issued by financial institutions and related or similar assets in the US, UK and Europe.

EJFI primarily invests in Risk Retention Investments in the form of CDO Equity Tranches structured by an EJF affiliate, providing levered exposure to a highly diversified portfolio of securities issued by US banks and insurance companies.

CDOs are a securitisation product collateralised by a diversified pool of loans, which for the Company are issued by US financial institutions. A CDO is issued in several tranches with interest and principal repayments being paid in sequence based on their seniority in the structure. The Company invests in the CDO Equity Tranches which are the most junior tranche ranking below the debt tranches. This allows for the greatest level of return opportunity.

Portfolio Overview as at 31 December 2023 (£ millions)



Key Portfolio Investments

CDO Equity Tranches

The investments in the equity tranches of 7 CDOs, via EJF Investments LP, provide the Company with exposure to underlying collateral comprising 347 debt instruments issued by 255 US banks and 92 US insurance company unique issuers, with a combined principal outstanding balance of \$1.85 bn.

CDO Manager Interest

Through its 49% interest in the CDO Manager, which currently manages 11 different CDO structures (including the 7 in which the Company has invested) with an underlying AUM of \$2.99 bn, the Company receives regular streams of income that rank senior in the cashflow waterfall of the CDOs.

Mortgage Servicing Rights

MSRs are a stream of regular and predictable servicing income cashflows originally attached to US prime mortgages underwritten to Fannie Mae & Freddie Mac standards. The Company’s investments in MSRs via Seneca, which is fully owned by EJF, services 5,626 mortgages with an unpaid balance of \$1.28 bn. Seneca uses a combination of capital contributed by the Group and leverage to invest in MSRs.

Please refer to the Manager’s Report for a more detailed description of the Portfolio.

CORPORATE SUMMARY

Overview

The Company is a closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey on 20 October 2016 under the provisions of the Companies Law with registered number 122353 and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. The Company's registered office and principal place of business is IFC1, The Esplanade, St. Helier, Jersey, JE1 4BP, Channel Islands. The principal legislation under which the Company operates is the Companies Law. The Company's capital comprises Ordinary Shares and 2025 ZDP Shares admitted to trading on the SFS.

The Company does not have a fixed life. Under the Articles, on or about each fifth anniversary of the Ordinary Shares being admitted to trading on the LSE on 7 April 2017, a Continuation Vote will be held. The first Continuance Resolution was passed at the EGM on 5 May 2022. The next Continuation Vote will take place, on or about 5 May 2027.

Investment Objective

The Company seeks to generate risk adjusted returns for its Shareholders by investing, through its Subsidiary, in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities are anticipated to include structured debt and equity, loans, bonds, preference shares, convertible notes, Fintech debt securities (including European debt securities) and private equity, in both cash and synthetic formats issued by entities domiciled in the US, UK and Europe. Investments consist primarily of Securitisation and Related Investments and Specialty Finance Investments. The Company seeks to generate sufficient income to enable it to make quarterly dividend payments to Shareholders in addition to targeting NAV growth.

The Company targets a Total Return of 8% to 10% per annum and paid the Target Dividend for the year ended 31 December 2023 of 10.7 pence per Ordinary Share (31 December 2022: 10.7 pence per Ordinary Share).

Purpose

The Company is an essential part of EJF's overall strategy and acts as a public vehicle to provide exposure to investments in the equity tranches of EJF sponsored securitisations, subject to Directors' approval. The Manager believes that through investments in niche asset classes, with a target of making quarterly dividend payments and growing the NAV, the Company offers attractive risk adjusted returns for its Shareholders.

Strategy

The Company seeks to achieve its Investment Objective by pursuing a policy of investing in a diversified portfolio of loans issued by financial institutions and related or other assets in the US, UK and Europe.

Values

To promote the long-term success of the Company through responsible investing, focusing on the values of the Company in a world with constantly evolving social and economic demographics. We believe that a strong corporate governance structure is crucial to the pursuit of this goal along with trusted relationships with our advisors.

The Company's detailed Investment Policy can be found on pages 78 to 81 of its Prospectus, which is available on the Company's website, www.ejfi.com.

Structure

The Company has one subsidiary, EJFIH (incorporated in Jersey on 9 June 2017), of which the Company owns 100% of the issued capital.

The holding of assets via EJFIH allows the Company to manage the upstreaming of portfolio income with greater flexibility and cash flow management and conduct its affairs in accordance with the criteria for the non-UK investment trust exemption to the UK Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013.

CORPORATE SUMMARY (CONTINUED)**Manager**

The Company is externally managed by the Manager. EJF holds 100% of the voting rights in the Manager. EJF is an investment adviser principally located in the US and registered as such with the SEC and as a CPO and CTA with the CFTC.

To meet the requirements of Rule 206(4)-2 under the Investment Advisors Act 1940, the Audited Financial Statements of the Company have also been audited in accordance with US GAAS.

The Company has appointed the Manager to act as the AIFM for the purposes of the AIFM Directive.

Listing Information

As at 31 December 2023

	ORDINARY SHARES	2025 ZDP SHARES
ISIN	JE00BF0D1M25	JE00BK1WV903
SEDOL	BF0D1M2	BK1WV90
TICKER	EJFI	EJFO
TOTAL ISSUED SHARES AT YEAR END	76,953,707	19,273,903
TOTAL ISSUED SHARES HELD IN TREASURY AT YEAR END	15,808,509	-
TOTAL ISSUED SHARES WITH VOTING RIGHTS AT YEAR END	61,145,198	-

As at 31 December 2022

	ORDINARY SHARES	2025 ZDP SHARES
ISIN	JE00BF0D1M25	JE00BK1WV903
SEDOL	BF0D1M2	BK1WV90
TICKER	EJFI	EJFO
TOTAL ISSUED SHARES AT YEAR END	76,953,707	16,996,857
TOTAL ISSUED SHARES HELD IN TREASURY AT YEAR END	15,808,509	-
TOTAL ISSUED SHARES WITH VOTING RIGHTS AT YEAR END	61,145,198	-

Significant Events during the Year*Issue of 2025 ZDP Shares pursuant to the Placing Programme*

On 20 February 2023, the Company announced its intention to issue further 2025 ZDP Shares pursuant to the Company's Placing Programme as detailed in the Prospectus.

On 27 February 2023, the result of the Placing of 2025 ZDP Shares was announced with 2,277,046 2025 ZDP Shares to be issued at a ZDP Placing Price of 119.78 pence per share, raising gross proceeds of approximately £2.73 million.

Appointment of Joint Corporate Broker

On 5 April 2023, the Company announced the appointment of Barclays Bank PLC as its joint Corporate Broker, alongside Liberum Capital Limited.

AGM

The 2023 AGM was held on 13 June 2023. All resolutions tabled were duly passed by Shareholders, including the re-election of all the Directors to the Board although, of total votes cast, 22.05% were received against the re-election of Joanna Dentskevich and 21.80% against the re-election of Nick Watkins and Neal J. Wilson. The votes against the re-election of the three Directors represented less than 10% of total issued shares, substantially all of which were cast by a single Shareholder.

The UK Code notes that where a significant proportion of votes have been cast against a resolution at a general meeting, a company should explain what actions it has taken to understand the reasons behind the vote. For these purposes, the UK Code and the Investment Association consider 20% or more of votes cast against a board recommendation for a resolution as being 'significant'.

The Chair consulted with the relevant Shareholder to better understand their concerns, who indicated that the primary reason for the vote against the three Directors was the ongoing appointment of Neal J. Wilson as a Director of the Company due to his role as CEO and co-chief investment officer of the Manager and the potential for that to prejudice the independence of the Company from the Manager.

CORPORATE SUMMARY (CONTINUED)

As a result, the Management Engagement Committee undertook a formal review of the Board's composition and best practice corporate governance, following which the Board determined that it would be in the best interests of the Company, its Shareholders and stakeholders for Neal J. Wilson to retire as a Director of the Company and in so doing, bring the Company into alignment with best practice corporate governance.

Hedging Strategy

On 21 June 2023, the Company announced an update to its hedging strategy. From May 2022 until the date of the announcement, the Company had adopted a hedging strategy which allowed the Manager flexibility to hedge foreign exchange risk so that between 60% of US Dollar assets and the final capital entitlement of the ZDP Shares could be hedged. Following the strengthening of Sterling against the US Dollar in June 2023, the Board approved the Manager's request to increase the upper hedging limit to 75% of US Dollar assets, which the Manager may or may not elect to use.

Composition of the Board

On 25 August 2023, Neal J. Wilson retired from his role as a Director of the Company. Following his retirement, a replacement director was not sought with the Board now comprising the three existing independent Directors. Recognising the valuable skills and investment experience that Neal J. Wilson brought, it was agreed that he should remain on the board of the Subsidiary. Any conflicts of interest that may arise at the level of the EJFIH board will continue to be managed in accordance with the Group's conflicts of interest policies.

Reduction in Manager's contribution to operating expenses

On 22 December 2023, the Manager informed the Board that, with effect from 1 January 2024, it would reduce its percentage reimbursement of the Company's recurring operating expenses to 10% (down from 60% previously) and that this arrangement will remain in place until at least 31 December 2024, or if earlier, until the date on which the unaudited NAV of the Company reaches £300 million.

GENERAL INFORMATION**The Board**

Joanna Dentskevich (Chair)
 Alan Dunphy
 Nick Watkins
 Neal J. Wilson¹
All c/o the Company's registered office

Administrator and Company Secretary

BNP Paribas S.A., Jersey Branch
 IFC1
 The Esplanade
 St. Helier
 Jersey JE1 4BP
 Channel Islands

Corporate Brokers & Financial Advisers

Liberum Capital Limited
 Ropemaker Place
 Level 12
 25 Ropemaker Street
 London EC2Y 9LY
 UK

Barclays Bank PLC²
 1 Churchill Place
 London
 E14 5RB

Registrar

Computershare Investor Services (Jersey) Limited
 13 Castle Street
 St. Helier
 Jersey
 JE1 1ES
 Channel Islands

**Legal Adviser to the Group
(as to Jersey law)**

Carey Olsen Jersey LLP
 47 Esplanade
 St. Helier
 Jersey
 JE1 0BD
 Channel Islands

Websites

Company: www.ejfi.com
 Manager: www.ejfi.com/manager

Registered Office

IFC1
 The Esplanade
 St. Helier
 Jersey JE1 4BP
 Channel Islands

Manager

EJF Investments Manager LLC
 The Corporation Trust Company
 Corporation Trust Center
 1209 Orange Street
 Wilmington, DE 19801-1120
 US

Custodians

Citigroup Global Markets Inc.
 390 Greenwich Street
 New York City
 NY 10013-2396
 US

Citibank N.A.
 399 Park Avenue
 New York City
 NY 10043
 US

Independent Auditor

KPMG LLP
 15 Canada Square
 London E14 5GL
 UK

Investor Screening/CDD Service

The ID Register
 5th Floor Market Building
 Fountain Street
 St. Peter Port
 Guernsey
 GY1 1BX
 Channel Islands

¹Retired on 25 August 2023.

²Appointed on 5 April 2023.

EJF INVESTMENTS LIMITED
CHAIR'S STATEMENT

Introduction

On behalf of the Board, I am pleased to present the Annual Report for the year ended 31 December 2023.

2023 was dominated by a challenging macroeconomic and geopolitical backdrop. Certain subsectors of the US banking sector were very much in the spotlight as a result of several highly significant events, including the failure of SVB and Signature Bank, the US Government engineered and back-stopped sale of FRB to JP Morgan and the voluntary liquidation of Silvergate. Of the four banks, the Company's only exposure was to Silvergate and equivalent to less than 2.5% of the NAV at that time on a look-through basis and prior to any recoveries. In the last quarter of the year, the US banking sector staged a comeback as the Fed signalled that it may not only be near the end of its rate hiking campaign, but also potentially ready to cut rates several times in 2024.

Due to the impact of these events on broader market sentiment, the CDO Equity Tranches held by the Company recorded material unrealised mark-to-market losses in the year. These mark-to-market losses were also further influenced by the FDIC auction of small bank debt assets seized from Signature Bank which together resulted in the Company generating a Total Return of (7.27)% for the year.

Despite these challenges, I am pleased to confirm that the Company continued to pay dividends in line with its Target Dividend as the underlying cashflows remained robust notwithstanding lower valuations.

Performance and Portfolio Activity

The underlying portfolio return component of Total Return of (2.03)% during the year was primarily driven by losses from Securitisation and Related Investments of (2.97)%. This reflected a mark-to-market loss of (12.39)% on the CDO Equity Tranches which was offset by a healthy 9.43% net return largely from interest accruals. Elsewhere, the Speciality Finance Investments as well as US bank debt exposure recorded modest gains for the year. There have been no reported defaults further to the Company's limited look-through exposure to Silvergate, where a meaningful recovery is currently anticipated in due course.

Aside from the purchase of two US bank issued subordinated debt instruments, the majority of the Company's unrestricted cash was placed into a money market fund to benefit from the higher interest rate environment, awaiting deployment for when appropriate opportunities arise. The Company also exited two small European debt positions during the year and exited its investment in the Armadillo portfolio (the Company's investment in law firm lending to fund mass tort litigation), in line with its strategy, which was a pleasing outcome. The US banking sector also experienced valuation declines for much of 2023 following several highly significant events in the sector, including the failure of four banks. As a result, no new securitisation deals were underwritten during the year in the market in which the Company operates and there were accordingly no related investment opportunities presented to the Company.

Given most of the Subsidiary's investments are currently denominated in USD, the Manager, under an approved authority from the Board, hedges a portion of this exposure to reduce the impact of overall FX movements which, as a result of Sterling strengthening against the USD during the year, limited FX losses to (2.56)% for the year. As at 31 December 2023, 56.2% of the underlying USD exposure was hedged, with Board approval having been given in June 2023 to increase the upper hedging limit from 60% to 75% of US Dollar assets.

Corporate Activity

In January 2023, the Company announced that the arrangement whereby the Manager absorbs 60% of the recurring operating expenses (aside from management and incentive fees) of the Company, would remain in place until at least 31 December 2023 or, if earlier, until the date on which the unaudited NAV of the Company reaches £300 million. In December 2023, the Company further announced the Manager's decision to reduce this to 10% which is estimated to have a negative impact on the Company in 2024 of approximately 50bps of latest reported NAV at the time of announcement in December 2023. EJF and its affiliated parties who own approximately 25% of the Ordinary Shares will also be impacted in the same way as other Shareholders. Such support from a manager is rare in the investment company arena and, notwithstanding the reduction, the Board has no doubts as to the Manager's ongoing high level of commitment to the Company.

CHAIR'S STATEMENT (CONTINUED)

In February 2023, the Company announced the issue of 2,277,046 new 2025 ZDP Shares at a price of 119.78 pence per share, raising gross proceeds of approximately £2.73 million. Following this, a total of 19,273,903 2025 ZDP Shares are in issue.

In April 2023, the Company appointed Barclays Bank PLC as its joint Corporate Broker, alongside Liberum Capital Limited.

Share Price

The Board remains cognisant of the continued and significant discount that the Ordinary Shares trade at relative to the NAV per share and of the current widespread de-rating headwinds experienced by many investment companies.

The Board, having consulted with the Manager, Shareholders, and the Company's Brokers, remain of the view that, given the size of the Company, a share buy-back programme is currently not in the best interests of the Company, notwithstanding the accretion to NAV of such a transaction. However, such a programme may be appropriate in the future and the Board regularly reconsiders this topic along with others.

To try to address the discount, since the beginning of the year, the Board has worked with the Manager and its advisers on the initiatives mentioned below to increase general market awareness of the Company and to provide regular information to investors to facilitate greater understanding of the opportunity the Company offers through its floating rate exposure to US financial institution loans and related assets:

- Providing timely market announcements in response to events in the US and European banking markets referencing the Company's underlying exposure where relevant.
- Appointing Barclays Bank PLC as the joint Corporate Broker of the Company to access a wider coverage of investors.
- Issuing a regular quarterly performance report to update investors on the Company's performance.
- Committing to an investor relations programme with regular updates and meetings with investors.

Principal Risks and Uncertainties

The Directors have carried out a robust review and assessment of the emerging and principal risks and uncertainties facing the Company, a summary of which, including any changes from last year, can be found on pages 15 to 18.

Outlook

Notwithstanding the pressures that the Company has faced as a result of the banking turmoil in 2023, and ongoing geopolitical and macro stresses, the Manager believes the US banking system is now significantly more stable than at the height of the volatility. The Manager also believes that the end of rate hikes, as signalled by the Fed Funds Futures, likely reduces the tail risk of a deep recession and greater than expected credit quality deterioration for the banking sector, which naturally benefits the Company.

Ultimately, I believe that these events can be viewed as a real-life liquidity stress test of the US banking system, with almost all banks passing. Furthermore, the US banking system is more heterogenous than may first appear, and given the Company is primarily exposed to smaller banks, which were less impacted by last year's events than certain regional banks and are relatively insulated from various regulatory and economic consequences, I am expecting 2024 to be a calmer year. Such an outlook provides the conditions for what has hitherto been strong performance to be re-established this year, with the Company being well placed to take advantage given its healthy cash balances.

The Company's AGM is to be held on 6 June 2024 at the Company's registered address and the Manager will be hosting a webinar on the Company's performance on 28 March 2024.

CHAIR'S STATEMENT (CONTINUED)

The Board again expresses its thanks for the continued support from its shareholders and, along with the Manager and the Group's advisers, looks forward to achieving positive returns for its Shareholders during the coming year.

Joanna Dentskevich

Chair

Date: 27 March 2024

MANAGER'S REPORT

We are pleased to present our review for the year ended 31 December 2023 and our outlook for 2024.

Despite negative performance, during the year, underlying cashflows remained robust, with losses being mainly as a result of unrealised mark-to-market valuations, allowing the Company to continue to meet its Target Dividend. The Total Return for the year was (7.27)%¹ generating an annualised Total Return since inception of 8.84%¹, consistent with the Company's Target Return of 8-10% p.a.

US Bank Market Update

The US banking sector experienced valuation declines for much of 2023. This was largely driven by fundamental concerns in the aftermath of the rapid failures of SVB and Signature Bank, the sale of FRB to JP Morgan and the voluntary liquidation of Silvergate. It is our view that these failures were largely driven by idiosyncratic events, and that, following heightened levels of stress and fear during the middle of the reporting period, the outlook had improved materially by the end of the year.

Indeed, the banking sector staged a dramatic comeback in the fourth quarter as the Fed signalled that it may not only be near the end of its rate hiking campaign, but also potentially ready to cut rates several times in 2024. As a result, during 2023, the 10-year Treasury bond yield saw a peak to trough to end the year at 3.88%. In addition, the Fed Funds Futures priced in approximately three cuts for the full year 2024 with the first cut fully priced-in for the July meeting. We believe that the end of rate hikes likely reduces the tail risk of a deep recession and greater than expected credit quality deterioration for the banking sector, which naturally benefits the Company. Market-based indicators of credit quality also improved meaningfully during the fourth quarter as the CDX North America 5-year High Yield Index tightened to 3.56%. This spread at the end of December represented a dramatic reduction from the 5.17% level seen at the end of October.

Over the course of the past six months, the largest 37 banks in the US most impacted by the Basel III Endgame proposals have argued that this potential regulation will make them less competitive versus both international institutions and 'shadow banks'. Given the initially expected 10%-30% increase in capital requirements for these institutions, the banks have begun an extremely active lobby against the rule changes. In the fourth quarter, a group of 39 Senate Republicans called on the regulatory agencies to withdraw the proposals. They referenced limited access to credit for millions of Americans from these potential rules. Additionally, in early December, CEOs of the largest banks spoke on Capitol Hill and urged Congress to push for watered-down regulations to prevent a credit shift to non-bank financial companies that do not face the same rules.

In our opinion, none of these proposed changes would have impeded the historic deposit run seen at SVB in March 2023. The combination of these items will likely have the effect of slowing growth and reducing risk-taking at the largest institutions. We believe that both small banks and shadow banks will take share just as they did after the implementation of Dodd Frank Act and Basel III regulations post the great financial crisis.

As interest rates decline and normalise, we expect that bank management teams will become more comfortable engaging in transactions. The prospect of less upfront dilution in M&A deals combined with greater confidence of a soft landing for the US economy has the potential for robust dealmaking and underpins some of the Company's underlying exposures. In December, for example, we noted the early signs of the capital markets opening back up in the case of a community bank recapitalisation as well as observing a mutual conversion to a public stock company.

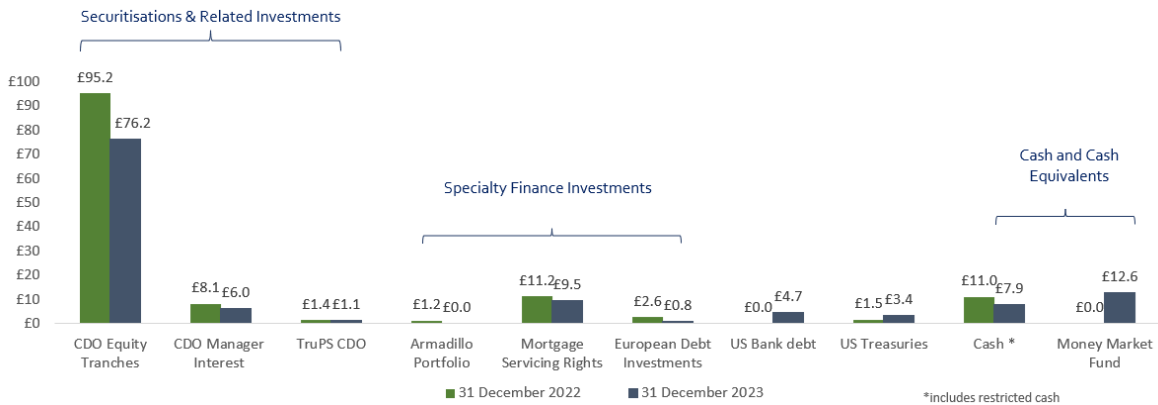
¹ These are APMs as defined on page 92.

MANAGER'S REPORT (CONTINUED)US Insurance Market Update

The US insurance sector enjoyed a steady fundamental improvement and certain other positive developments during much of the year. The life insurance sector generated a strong equity market performance aided by fewer interest rate movements. The concern around credit did not spike while the concerns around commercial real estate have abated in certain areas. We were also encouraged by recent personal line developments due to higher rates and expect 2024 will provide an adequate rates backdrop for most of the players in the industry. Commercial lines remained mixed, especially in the case of casualty lines. On the broker side, commercial insurance pricing-power indicators appear steady, which bodes well for the brokers. We are anticipating that the reinsurance tailwind is largely exhausted at this point given that inflation is cooling and more alternative capital is entering the market thus reducing renewal rates, all else equal.

Portfolio Update and Investment Activity

Notwithstanding the unrealised mark-to-market losses on the CDO Equity Tranches, the Portfolio continues to perform in line with expectations from an income yield perspective. Please see chart below for portfolio composition (£ millions) as at 31 December 2022 and 31 December 2023.



Securitisation and Related Investments represented approximately 68.0% of the Group's assets as at 31 December 2023. Of which:

- CDO Equity Tranches represented approximately 62.2% with underlying exposure to debt issued by US banks and insurance companies and are managed by an affiliate of EJF.
- As at 31 December 2023, through its seven investments in CDO Equity Tranches, the Company has exposure to 347 debt instruments issued by 255 banks and 92 insurance companies, of which 157 banks and 35 insurance companies were unique issuers.
- The remainder of the Securitisation and Related Investments portfolio consisted of the CDO Manager interest (the entity that earns management fees for providing collateral management services to various CDO structures) and a TruPS CDO which represented approximately 4.9% and 0.9% of the Group's assets, respectively.

EJF INVESTMENTS LIMITED
MANAGER'S REPORT (CONTINUED)

A summary of underlying collateral diversification is provided below, along with forward projected returns analysis:

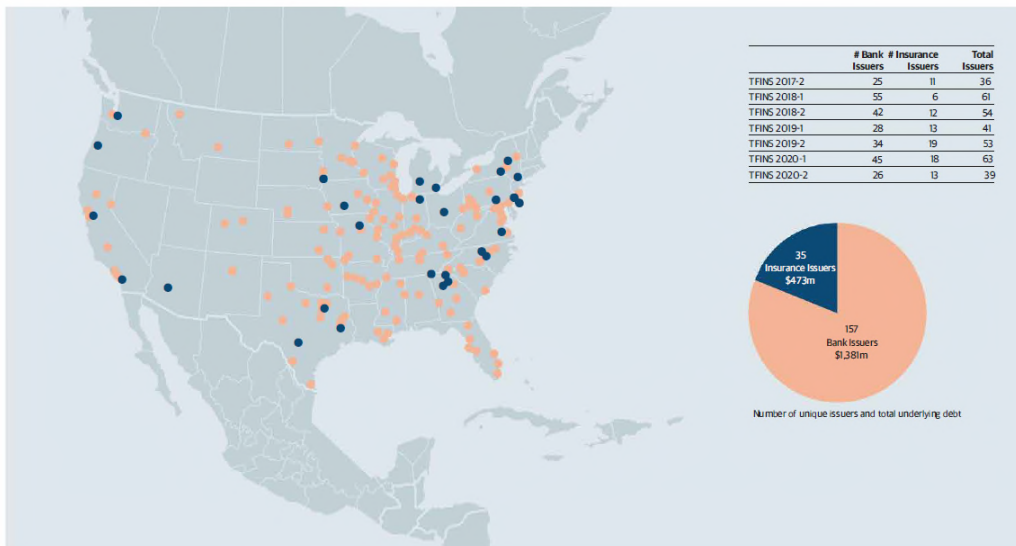
Equity Tranche Investments as of 31 December 2023

	TFINS 2017-2 October 2017	TFINS 2018-1 May 2018	TFINS 2018-2 December 2018	TFINS 2019-1 March 2019	TFINS 2019-2 December 2019	TFINS 2020-1 September 2020	TFINS 2020-2 December 2020
Equity Tranches amount (\$ million)	13.9	17.5	13.6	12.7	13.2	13.4	8.1
Estimated return profile ¹							
Yield to Call ² / Maturity (%)	15.6 / 10.3	14.0 / 10.0	8.6 / 7.0	9.4 / 7.8	15.6 / 9.9	14.2 / 10.9	18.5 / 13.6
Yield to Call ² / Maturity including management fee income (%)	15.8 / 10.4	14.7 / 10.4	9.3 / 7.6	10.0 / 8.3	16.3 / 10.5	14.9 / 11.4	19.6 / 14.5
Collateral overview (on closing date) TruPS, senior, subordinated and surplus notes issued by US banks and insurers.							
Legend: Insurance companies (blue), Banks (green)							
CDO structure							
Original collateral principal balance (\$ million)	353.0	537.8	351.0	313.9	338.4	282.9	177.2
Initial implied rating ³	Ba1	Baa3	Baa3	Baa3	Ba1	Ba2	Ba3
Initial leverage ratio ⁴	4.3x	6.7x	5.7x	4.6x	5.8x	4.5x	5x
Other key terms							
Non call/Auction call	Passed/ Sept 2025	Passed/ Mar 2026	Passed/ Dec 2026	Passed/ Feb 2026	Passed/ Nov 2027	Passed/ July 2028	Passed/ Oct 2028
Legal final deadline	Sept 2039	Mar 2039	Sept 2039	Feb 2039	Feb 2039	Apr 2040	Jul 2041
Senior collateral management fee (bps)	10	20	20	20	20	30	30

- Estimated returns are as of 31 December 2023 and they reflect the fair valuation of the bonds. Estimated returns assume, among other things, no delinquency, deferral or other non-payment by collateral, and do not include cash flows previously received. Prepayments are estimated by E.J.F. based on past experience and judgements. Any changes in cash flows can materially impact returns. There can be no assurances that the estimated returns will be realised as portrayed in this document and investors should place no reliance on such estimated returns in making any investment decision. Estimated returns are targets only and not a profit forecast. This information is intended to be illustrative only and is not designed to predict the future performance of the Company or its investment portfolio.
- Call assumed to be in 5 years from yield calculation date on a rolling basis.
- Implied Ratings are as of issuance by the engaged nationally recognised statistical rating organisation. Ratings are subject to change and may not reflect current creditworthiness of issuer.
- Initial leverage ratio calculated as par value of debt tranches over par value of underlying collateral less par value of debt tranches.

Geographic Diversification of Bank and Insurance Debt Exposure

Below is a summary of geographic diversification of US bank and insurance company debt based on the headquarters of the underlying collateral issuers in the 7 CDO Equity Tranches held by the Company as at 31 December 2023:



MANAGER'S REPORT (CONTINUED)

Specialty Finance Investments represented approximately 8.4% of the Group's assets as at 31 December 2023. Of which:

- MSRs represented approximately 7.7% of the Group's assets as at 31 December 2023.
 - MSR exposure represents a stream of servicing income attached to mortgages originated in the US, producing regular and predictable cash-flows via an investment managed by Seneca (which is fully owned by EJF). Seneca uses a combination of capital contributed by the Group and leverage to invest in MSRs originally attached to prime mortgages underwritten to Fannie Mae and Freddie Mac standards.
- One small European debt investment represented approximately 0.7% of the Group's assets as at 31 December 2023.
- During the year, the Company successfully exited its investment in the Armadillo portfolio, in line with its strategy. Further, the Company also exited two small European debt positions during the year.

US Treasuries represented approximately 2.8% of the Group's assets as at 31 December 2023.

- Effective July 2023, US Treasuries have been reclassified from 'Specialty Finance Investments' into a new category 'US Treasuries' to improve transparency.
- The Group acquired further small US Treasury positions during the year and at year end holds 5 US Treasury positions which are intended to partially hedge MSRs in recognition of the changing interest rate environment.

US bank debt represented approximately 3.8% of the Group's assets as at 31 December 2023.

- In June 2023, the Company purchased two subordinated debt instruments issued by two US banks at near double-digit yields for a total of £4.7m. They were acquired at an FDIC auction to utilise cash in an area well known to the Manager and consistent with the Company's investment mandate.

In January 2024, the Group sold one of its two US Bank debt investments to take liquidity and record a small gain. In the month of March 2024, the Group entered into a cross-trade transaction with several affiliated fund entities managed by EJF, purchasing mezzanine debt notes of affiliated CDOs for approximately \$5.5 million. The transaction was executed in accordance with EJF's internal policy and was reviewed and approved by the Board of the Company. The cross-trade and trade price was also approved by the independent governing bodies of all the affiliated fund entities.

Risk Management

We believe the Portfolio contains a selection of diversified borrowers within the context of its financial institution focussed mandate. The Manager's credit team conducts regular surveillance on issuer financial and business profiles and the broader portfolio and there were no defaults during the year on the underlying securitisation collateral positions.

We do note that the Company has exposure to Silvergate which went into voluntary liquidation in March 2023. However, we currently expect a meaningful recovery from this exposure in due course.

The Group's base currency is denominated in Sterling although most of the Group's investments are denominated in USD. Under an approved authority from the Board, we hedge a portion of this exposure. These hedges helped reduce the impact of overall FX losses during the year. As at 31 December 2023, USD 85.3m of approximately USD 151.8m exposure was hedged. This hedge helped to reduce the impact of GBP strengthening against USD, generating an overall net FX loss (including a loss incurred at EJFIH level) of (2.56)% for the year.

Outlook

2023 was undoubtedly a volatile year, particularly the first three quarters of the year. However, we note there have been no recent failures in the broader US banking system and consider the banking environment at year end, and since that time, to be far more stable. The events in the first half of the year may be regarded as a real-life liquidity stress test, with almost all banks passing. Regulation may ensue in the US banking space to the benefit of creditors in some circumstances.

MANAGER'S REPORT (CONTINUED)

Specifically in relation to the Company, in the vast majority of cases we believe that the unrealised mark-to-market losses booked during the year were reflective of broader market sentiment and illiquidity. As such, we anticipate a gradual return to the otherwise strong performance that has characterised the Company since launch.

Post year end, banking sector performance remained uneven as New York Community Bank's ("NYCB") struggles continued to dominate headlines. NYCB announced cutting its dividend, reducing earnings guidance, a material weakness in internal controls as well as a change of CEO. In March 2024 NYCB received over \$1bn equity capital investment from firms led by former treasury secretary Steven Mnuchin, which we consider as stable capital. We see this as positive news in light of all of NYCB's recent announcements and believe this should ease concerns about NYCB's capital levels. EJFI's current combined exposure to NYCB is equivalent to less than 2.5% of the Company's NAV on a look through basis.

We believe that the end of rate hikes likely reduces the tail risk of a deep recession and greater than expected credit quality deterioration for the US banking sector. Furthermore, a lower normalised rate environment and healthy credit backdrop should allow small and medium sized banks to exceed expectations with regards to loan growth and capital levels. Given a potential 10% - 30% increase in capital requirements from Basel III Endgame proposals for banks greater than \$100 billion in assets, the Manager believes that a share shift opportunity remains for small and medium-sized banks. Additionally, banks with less than \$10 billion of assets will have no obligation to pay the FDIC special assessment charge to the deposit fund that was caused by the failures of SVB, Signature Bank and FRB earlier in the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal Risks, Uncertainties and Emerging Risks

The Principal Risks of the Company are those risks, or a combination thereof, that the Directors believe may materially threaten the Company's ability to meet its Investment Objective, solvency, liquidity or viability.

Risks faced by the Company include (but are not limited to) strategic risk, financial risk, investment risk, compliance risk and operational risk, as summarised in the Prospectus on pages 9 to 49.

In determining the Principal Risks, a robust assessment of all risk factors that the Directors believe the Company is exposed to has been performed. During the year, the Manager and the Directors monitor for any new uncertainties and emerging risks that may have arisen which, if manifested, will be considered within the existing risk framework. The Board have recognised the additional geopolitical pressures arising from the ongoing Russia-Ukraine war and the Israel-Hamas war and the potential outcome of the US election, the impact of which are considered within the Principal Risks identified below.

As at 31 December 2023, the Principal Risks that the Group faces, along with related mitigants and changes since last year, are set out below.

Principal Risks
<p>Strategic</p> <p>Changes in the geopolitical and macro economic environment Changes to global geopolitical and macro-economic conditions may adversely impact the Company's investment performance, the availability of investment opportunities, and the Manager's ability to source and securitise investments, and prevent the Company from meeting its Investment Objective.</p> <p><i>Mitigants</i> The Manager evaluates and monitors the macro-economic, geopolitical and market cycle risks it deems material to the Investment Policy, both on an ongoing basis and ahead of any new investment. The Manager can control the timing of entry into investments and markets to ensure that the Portfolio adheres to the Investment Policy and to manage the aforementioned risks. The Board is kept informed on a regular basis by the Manager and is also updated at quarterly Board meetings.</p> <p><i>Analysis and Change during the year</i> Although the Manager continues to see an attractive pipeline of investments, the impact of inflation, the higher-for-longer interest rate environment and geopolitical tensions continue to have significant macro-economic implications for the global economy and financial markets. The US banking sector also experienced valuation declines for much of 2023 following several highly significant events in the sector, including the failure of four banks. As a result, no new securitisation deals were underwritten during the year in the market in which the Company operates and there were accordingly no related investment opportunities presented to the Company.</p> <p>Notwithstanding that the US banking system appears to have stabilised toward the end of 2023 compared to what was the case at the height of the volatility in the first half of 2023, the Directors consider the residual risk to have increased during the year.</p>
<p>Changes in law, tax and regulation reduces investment opportunities or undermines the Group's legal, tax or regulatory structure The Group is subject to regulations enacted by national and local governments, changes to which may reduce the investment opportunities available or undermine or invalidate the tax, legal or regulatory rationale for the structure and make it difficult to pursue the Investment Policy.</p> <p><i>Mitigants</i> The Manager, along with the Company's Financial Advisers, Administrator and legal advisers, continually monitors and evaluates the legal and regulatory horizon for any new or changes to existing legislation and regulation that could potentially invalidate the Investment Policy or the Group's structure or impact market practice.</p>

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**Principal Risks****Strategic**

Changes in law, taxes and regulation reduce investment opportunities or undermines the Group's legal, tax or regulatory structure (continued)

Mitigants (continued)

The Board is kept abreast of any potential changes on a regular basis through its committee and Board meetings and regular communication with the Manager and advisers. In addition, the Investment Policy allows the Company to pursue a wide variety of investment opportunities. The Manager believes that a change in administration post the US presidential and congressional federal government elections scheduled for November 2024 would create potential for a more favourable environment in respect of M&A in the banking sector, which would benefit much of the underlying exposure of the Company. The Manager is monitoring the developments in this regard.

Analysis and Change during the year

As at the date of the Annual Report, the Directors have not been advised of any expected changes in law, tax or regulation that would materially impact the Investment Policy or Group structure.

Therefore, the Directors believe there has been no material change in the residual risk during the year.

Availability of cash for investment opportunities and payment of liabilities

The Company requires regular ongoing funding and available cash to be in a position to take full advantage of investment opportunities as and when they arise, along with meeting liabilities as and when they fall due. The risk of the Company having insufficient cash to meet investment opportunities continues to be a Principal Risk due to several factors:

- (i) the potential for the volatility of Sterling to require unencumbered cash to be used to meet margin calls on the currency hedge;
- (ii) the Ordinary Share Price discount to NAV and difficulty in raising capital;
- (iii) the complex nature of the underlying Portfolio may deter potential investors;
- (iv) the maturity of the 2025 ZDP Shares; and
- (v) the challenges that the UK listed investment companies sector is currently experiencing.

Mitigants

The Manager continually monitors the current and projected cash flows required by the Company to meet its current and future liabilities, including control over the timing of entry into investments and expectations on when the Manager may recommend calling and/or refinancing underlying securitisations.

On a quarterly basis, the Manager produces for the Board a working capital memorandum showing forecast balances covering a period of at least 18 months which is also supplemented every six months by appropriate scenario analysis.

In addition, the Company continually seeks to improve the discount of the share price to NAV and the liquidity of the Ordinary Shares stock by working with the Corporate Brokers and meeting investors to raise market awareness and explain the Company's strategy and investment thesis.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Principal Risks
Strategic
<p><i>Analysis and Change during the year</i></p> <p>With the upcoming maturity of 2025 ZDP shares in June 2025 as well as the pervasive pressure on investment companies' share price, especially those in the alternatives sector, overall, the Directors believe that the residual risk of this Principal Risk has increased during the year.</p>
<p>Dependency on the Manager</p> <p>To successfully pursue its Investment Objective, the Company is dependent on the Manager and the Manager's ability to retain and recruit staff. The loss of a small number of key individuals in key roles at the Manager actively servicing the Company, could adversely impact the ability of the Manager to meet the Investment Objective.</p> <p><i>Mitigants</i></p> <p>The Manager's senior management team has a proven track record, with strength and depth of relevant experience and is recognised as an expert in its field. The Manager employs experienced individuals and regularly reviews remuneration levels against the employment market and the requirements for skills and headcount. The Manager's remuneration policies are designed to strike an appropriate balance between short-term and long-term rewards, alignment and retention. The Manager is committed to retaining additional resources in key operational areas.</p> <p><i>Analysis and Change during the year</i></p> <p>The Company continues to have no direct listed competitors with a similar investment thesis. The Directors carried out their annual due diligence visit of the Manager in November 2023 and held meetings with each key function to gain comfort over their continued performance and operations. Notwithstanding several changes in operational personnel at the Manager during the year, the Directors reaffirm their positive view of the Manager and believe that the senior management team, and the business, is highly cohesive and aligned with the Company in pursuing its Investment Objective.</p> <p>The Directors believe there has been no material change in the residual risk during the year.</p>
<p>Valuation</p> <p>The nature of the Group's investments make them inherently difficult to value compared to more liquid investments due to the number of assumptions involved. Furthermore, a general market collapse, significant market volatility and/or a seizing-up of credit markets may render it difficult to price certain investments with any degree of accuracy, or at all.</p> <p><i>Mitigants</i></p> <p>There is a stated valuation policy, reviewed and updated periodically for all underlying investments, which is applied by the Manager and the Administrator when preparing the NAV. In most cases, the Manager obtains quotes from multiple independent brokers to mark the securities. The Manager has also appointed a recognised independent valuation agent to provide comfort over the valuations derived from models developed by the Manager where appropriate. From time to time, the Manager may also commission independent positive assurance reports on the valuation of the Company's portfolio, or certain positions within its portfolio. Following the significant volatility in the US banking sector in first half of the year, the Manager commissioned a report on the valuation of several of its fund portfolios as at 30 June 2023, which also covered a number of positions held by the Company.</p> <p>The Manager has a valuation committee which meets monthly to review the valuation of investments which feeds into the NAV process. The NAV is prepared by the Administrator on a monthly basis, which is then reviewed and approved by the Manager and the Directors.</p>

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Principal Risks
Strategic
<p><i>Analysis and change during the year</i></p> <p>The Group's core investment allocation continues to be focused on Risk Retention assets which are inherently difficult to value compared to more liquid investments. The Manager believes that the unrealised mark-to-market losses recorded during the year relate to a catch-up of broader market sentiment and a recommencement of limited trading activity post the banking market stress seen in the first half of the year. These unrealised mark-to-market losses accordingly reflect a lag between market events and illiquid asset prices and are expected to be of a temporary nature.</p> <p>The Directors believe there has been no material change in the residual risk during the year.</p>
Investments
<p>Credit Risk</p> <p>The value of the Group's investments may be impacted by adverse credit events with recovery of initial investments being lengthy and uncertain.</p> <p><i>Mitigants</i></p> <p>The Manager carefully assesses the credit risks of every investment, including the underlying collateral held in the securitisation vehicles. Assessments of credit risk are derived from various credit analyses, market and macro conditions and underwriting stress scenarios. The Manager conducts regular credit surveillance on the portfolio of investments and underlying collateral in the securitisation vehicles, which are well diversified.</p> <p><i>Analysis and change during the year</i></p> <p>The Group's investment allocation continues to be focused on Risk Retention assets, with credit analysis focusing on underlying collateral in the securitisation vehicles. The US banking sector experienced valuation declines for much of 2023. This was largely driven by fundamental concerns in the aftermath of the rapid failures of SVB and Signature Bank, the sale of FRB to JP Morgan and the voluntary liquidation of Silvergate. There have been no reported defaults. The US banking system appears to have stabilised towards the end of 2023 compared to what was the case at the height of the volatility in the first half of 2023.</p> <p>The Directors believe there has been no material change in the residual risk during the year.</p>
Operational
<p>Dependency on service providers</p> <p>The Company is dependent on the ability of all its service providers for the successful management and administration of the Company's affairs. This includes a reliance on the strength of their internal controls, their ability to retain and recruit sufficient appropriately qualified and experienced staff as well as cyber security, data protection and business continuity planning.</p> <p><i>Mitigants</i></p> <p>The Company's service providers are selected through a process based on recommendation and their experience and ability to meet the Company's requirements. The Board is in regular contact with the Administrator and Manager to ensure that the policies and procedures implemented are appropriate and effective and meet regularly to review the service level. The Board has established a Management Engagement Committee which reviews the performance of all key service providers on an annual basis.</p> <p><i>Analysis and change during the year</i></p> <p>All service providers continue to be reviewed to ensure that the Company's service requirements and objectives continue to be fully met.</p> <p>As a result, the Directors believe there has been no material change in the residual risk during the year.</p>
Emerging Risks and Uncertainties
<p>The Directors have not identified any emerging risks or additional uncertainties.</p>

THE BOARD

JOANNA DENTSKEVICH

Non-executive Chair
Appointed in 2017



Skills & experience

Joanna Dentskevich has over 35 years of finance, risk and investment banking experience gained in London and Asia. She started her career in 1986 in the financial services group of a London accountancy firm before moving into investment risk at Bankers Trust. Prior to moving to Jersey in 2008, she was director of risk at Deutsche Bank and Morgan Stanley and chief risk officer and a co-founder of a London based systematic hedge fund. Joanna sits on the board of a number of regulated investment companies and financial institutions.

Committees

Audit and Risk Committee
Management Engagement Committee

Other public appointments

GCP Asset Backed Income Fund Ltd

Executive appointments

None

Considered to be independent

NICK WATKINS

Non-executive Director
Appointed in 2017



Skills & experience

Nick Watkins started his career as a corporate tax lawyer with Dechert LLP in London in 1997. He is currently a partner and director of Altair Partners Limited, which provides independent directors to funds and regulated entities. Prior to joining Altair in 2014, he was global head of transaction management for Deutsche Bank's Alternative Fund Services division in Jersey and prior to that was assistant managing director and senior in-house legal counsel at Citco in the Cayman Islands. Nick is a qualified solicitor in England and Wales.

Committees

Audit and Risk Committee
Management Engagement Committee (chair)

Other public appointments

None

Executive appointments

Altair Partners Limited

Considered to be independent

ALAN DUNPHY

Non-executive Director
Appointed in 2016



Skills & experience

Alan Dunphy has over 25 years of experience in the offshore financial industry moving to Jersey in 1998 to join the Assurance and Business Advisory Division of PricewaterhouseCoopers. Since 2014 Alan has worked for Altum Group as a director on fund and corporate client structures before which he was managing director of fund management group Bennelong Asset Management for 8 years. Prior to this Alan was a director of Capita Fiduciary Group and also worked at Abacus Financial Services Group. Alan is a fellow of the Institute of Chartered Accountants in Ireland.

Committees

Audit and Risk Committee (chair)
Management Engagement Committee

Other public appointments

None

Executive appointments

None

Considered to be independent

THE MANAGER

The key employees of EJF involved with the Company are listed below:

PETER STAGE
Co-Chief Investment
Officer of the Manager
and member of the
Investment Committee



Skills & experience

Peter Stage joined EJF in 2013 and is a member of the Executive Committee. Peter is responsible for identifying investment opportunities in the European fixed income, equity and private markets with a focus on the banking sector. Peter was previously Head of Credit Research at F&C Asset Management ("F&C") where he also analysed the banking sector. Prior to joining F&C in 2008, Peter was head of credit at Gordian Knot Limited, an investment management company, which he joined in 1998 as a bank analyst.

Peter holds a BA in Economics from the University of Manchester.

OMER IJAZ
Member of the
Investment Committee



Skills & experience

Omer Ijaz serves as a Senior Managing director, Portfolio Management, at EJF. Omer joined EJF in 2011 and oversees the structured product strategy. Omer specialises in the specialty finance, insurance, and banking sectors, and currently leads the credit analysis and trust preferred CDO structuring for the insurance and bank TruPS team as well as the structuring for bank subordinated debt CDOs.

Omer has spearheaded twelve EJF sponsored securitisations, totalling approximately US\$3.8 billion. Omer also manages the investments of legacy TruPS CDOs and some corporate debt. Omer came to EJF from Merrill Lynch, where he was employed as a summer research analyst in the Global Private Client Division. Prior to his time at Merrill Lynch, he worked for Citibank N.A. and Muslim Commercial Bank. Omer earned a BA in Business Economics from the College of Wooster.

JAY GHATALIA
Finance Director of the
Manager



Skills & experience

Jay Ghatalia joined EJF in 2023 and is responsible for operations and finance functions. Prior to joining EJF, he spent 2 and a half years at Intermediate Capital Group PLC ('ICG'), managing finance and operations for private funds in their Strategic Equity and LP Secondaries strategies. Prior to ICG, he spent 9 years in public accounting firms, PricewaterhouseCoopers and KPMG managing assurance and advisory engagements for clients across financial services and latterly focusing on both listed and private alternate investment funds.

Jay is a Chartered Accountant (Institute of Chartered Accountants of India) and holds a Bachelor of Commerce degree from University of Mumbai.

NEAL J. WILSON
CEO and Co-Chief
Investment Officer of the
Manager and member of
the Investment
Committee



Skills & experience

Neal J. Wilson is a founding member of EJF and serves as its co-chief executive officer and as a co-chief investment officer of EJF's private markets products. Neal also serves as a member of EJF's Risk Committee, Valuation Committee and ESG Committee. Prior to forming EJF, Neal served as a senior managing director for both the Alternative Asset Investments and Private Wealth Management groups at FBR. Prior to joining FBR, he was a senior securities attorney at Dechert LLP and a Branch Chief in the Division of Enforcement at the US Securities and Exchange Commission in Washington, D.C. Neal is a member of the Milken Institute's Council on Inclusive Capitalism in Asset Management.

THE MANAGER (CONTINUED)

EMANUEL J. FRIEDMAN
Member of the
Investment Committee



Skills & experience

Emanuel Friedman co-founded EJF, a global institutional alternative asset management firm that has been at the forefront of regulatory, event-driven investing in financials and real estate. Over the course of his 40+ year career in capital markets and asset management, Mr. Friedman has structured and built numerous innovative investment strategies that have focused on some of the most powerful trends in the financial sector driven by regulatory change.

Prior to forming EJF, Emanuel was a founder and the former co-chairman and co-CEO of FBR. At FBR, Emanuel assisted in designing property and mortgage REIT vehicles. Throughout the 1990s, Emanuel was active in building out FBR's alternative asset management platform. He was instrumental in the creation of hedge, private equity and venture capital funds at FBR, and maintains an extensive network of contacts within the CDO, hedge fund and private equity fund communities.

He received his BA in Education from the University of North Carolina at Chapel Hill and his JD from Georgetown University.

JASON RUGGIERO
Member of the
Investment Committee



Skills & experience

Jason Ruggiero joined EJF at its founding in 2005 and is a member of the executive committee. Jason serves as the primary portfolio manager for EJF's equity focused strategies as well as the co-chief investment officer for EJF's capital markets products. Jason also serves as a member of EJF's risk committee and ESG committee. Jason currently serves on the board of directors of Arlington Food Assistance Center and formerly served on the board of directors of FB Corporation in St. Louis, Missouri and TIG Bancorp in Denver, Colorado. He also formerly served as a member of the JMU College of Education Executive Advisory Council. Prior to joining EJF, Jason was an equity trader in FBR's Alternative Asset Investment Group, where he assisted Emanuel Friedman in the day-to-day operations of FBR Ashton, L.P., a long/short hedge fund. In 2004, Jason assumed co-portfolio manager responsibilities for FBR Ashton, L.P. Before joining FBR, Jason was an auditor for Deloitte and Touche in Washington, D.C., where he focused on the financial services industry.

He holds a BBA in accounting from James Madison University and an MBA in finance from the University of Maryland.

CORPORATE GOVERNANCE REPORT

Corporate Governance Compliance Statement

The Company's shares are traded on the SFS and therefore the Listing Rules, applicable to companies admitted to the Official List of the FCA, do not apply to the Company. The Directors are however committed to the application and practice of high standards of corporate governance and the Company has voluntarily adopted certain provisions of the Listing Rules as detailed on page 63 of the Prospectus.

The Directors recognise the value of the UK Code and have also considered the principles and recommendations of the AIC Code. The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. This statement outlines how the principles of the UK Code, which can be found at www.frc.org.uk, and the principles of the AIC Code were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at www.theaic.co.uk.

The Directors consider that reporting in line with the principles and recommendations of the AIC Code will provide better information to shareholders. Consequently, throughout the year ended 31 December 2023, the Company complied with the provisions of the UK Code and the recommendations of the AIC Code, with the exception of:

- The role of chief executive: The Board considers that the post of chief executive is not relevant for the Company, being an externally managed investment company.
- The appointment of a senior independent director: Given the size and composition of the Board, it is not felt necessary to appoint a senior independent director. However, should a situation arise where it is felt necessary to appoint a senior independent director, the Chair of the Audit and Risk Committee will perform the role.
- Internal audit function: The Board has reviewed the need for an internal audit function and due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they continue to operate as intended.
- Executive directors' remuneration: All the Company's day-to-day management and administrative functions are outsourced to third parties (subject to appropriate systems, controls and oversight). As a result, the Company has no executive directors, employees or internal operations and is not required to comply with the principles of executive directors' remuneration.
- Committees: Given the size of the Board, it is currently considered that it would be unnecessarily burdensome to establish separate nomination and remuneration committees, therefore such committees have not been established and these matters are reserved for the Board.
- Tenure and Succession: It is the intention of the Board to establish a nomination committee, when required, to lead the process for an orderly Director succession.
- The Chair of the Board is a member of the Audit and Risk Committee: Given the size of the Company and that the Chair is considered to be independent, the Board believe this is appropriate.

The Board has engaged the Company Secretary, BNP Paribas S.A., Jersey Branch, to provide company secretarial services to the Company and to support the Board and its committees to ensure procedures are followed as well as to advise the Board on governance related matters.

Board Composition and Director Independence

At 31 December 2023, the Board comprised three non-executive Directors, all of whom are independent, whose biographies are disclosed on page 19. The Company has no executive directors or any employees.

The Board assesses and reviews the independence of each Director with respect to the AIC Code annually, having regard to the potential relevance and materiality of the Director's interests and relationships.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Matters Reserved for the Board

The Board meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its attention. At the quarterly meetings, the Directors review the investment performance of the Company and its activities to ensure it adheres to the Investment Policy. Additional ad-hoc reports are received as required and the Directors have access at all times to the advice and services of the Company Secretary. Once a year, the Board also considers the remuneration of the Directors as a separate remuneration committee has not been established. Representatives of the Manager are invited to attend Board meetings on at least a quarterly basis.

The Board monitors the level of the Ordinary Share Price premium or discount to NAV to determine what action is desirable, if any.

During the year, all Directors attended formal training sessions provided by professional firms and other recognised providers in order to remain up to date with all relevant corporate governance, regulatory and market issues.

The Board and relevant personnel of the Manager acknowledge and adhere to the MAR and the Board has adopted procedures in relation to the management, identification and disclosure of inside information and share dealing in accordance with MAR.

Tenure and Succession

The Board's policy regarding tenure of service balances the need to provide and maintain continuity, knowledge, experience and independence, against the need to periodically refresh the Board composition in order to maintain an appropriate mix of the required skills, experience, age, length of service and diversity.

In accordance with the AIC Code, where a Director has served for more than nine years from the date of first appointment, the Board will review and explain whether that Director can continue to be considered independent albeit that the Board does not consider that lengthy service necessarily undermines a Director's independence nor that each Director, including the Chair, should serve for a finite fixed period.

There is no separate succession plan for the Chair. Succession of the Chair will be considered in the same manner as other Directors at all times ensuring their independence is maintained.

The Articles include provisions for retirement of directors and eligibility for re-appointment to the Board. In addition, and in line with the AIC Code, the Board has determined that all Directors will retire and seek re-election on an annual basis. Any Director not re-elected would resign.

To ensure an orderly succession of directors to the Board, and to allow appropriate recommendation for each director's re-election to the Board and committees, the Directors will review the composition of the Board and its committees on an annual basis, taking into account the Company's Tenure & Succession Policy and each Director's performance, effective contribution and ability to meet the ongoing commitments of the Company and the reasons why their continued appointment is considered to be important to the long-term sustainable success of the Company.

All Directors were subject to re-election at the Company's AGM held on 13 June 2023 and were duly re-elected. On 25 August 2023, Neal J. Wilson retired from his role as a Director of the Company.

CORPORATE GOVERNANCE REPORT (CONTINUED)**Diversity**

The Directors recognise the benefits and effectiveness that diversity, including gender, age, professional experience and cultural background, brings to the Board and its committees and have a strong commitment to ensuring a correct balance of knowledge, experience and independence. Board appointments are based on merit as well as being an appropriate fit for the Company.

At 31 December 2023, the Board comprised one female and two male Directors. As the Company has no employees there is no further requirement to report in respect of diversity quotas.

The below tables set out the Board's current composition and provides a comparison against the targets prescribed by Listing Rule 9.8.6R (9)(a).

Number of board members	Percentage of the Board	Senior positions on the board (CEO, CFO, SID and Chair)*
Men: 2	67%	Audit and Risk Committee chair – Alan Dunphy Management Engagement Committee chair – Nick Watkins
Women: 1	33%	Chair – Joanna Dentskevich
Not specified/prefer not to say	N/A	N/A

	Number of board members	Percentage of the board	Senior positions on the board (CEO, CFO, SID and Chair)*
White British or other White (including minority-white groups)	3	100%	Chair – Joanna Dentskevich Audit and Risk Committee chair – Alan Dunphy Management Engagement Committee chair – Nick Watkins
Mixed/Multiple Ethnic Groups	Nil	N/A	N/A
Asian/Asian British	Nil	N/A	N/A
Black/African/Caribbean/Black British	Nil	N/A	N/A
Other ethnic group, including Arab	Nil	N/A	N/A
Not specified/prefer not to say	Nil	N/A	N/A

*The Company does not have executive management.

It is noted that at present only 33% of the Board is female, which is below the target of 40% prescribed by Listing Rule 9.8.6R (9)(a). The role of Chair of the Board, being a senior position, is held by a woman. The Board is mindful of the requirement to have at least 40% female representation on its Board, and alongside knowledge and expertise, this will be considered when the Board next recruits.

CORPORATE GOVERNANCE REPORT (CONTINUED)

At present none of the Board members are from minority ethnic backgrounds which is below the target of one, prescribed by Listing Rule 9.8.6R (9)(a). The Board is mindful of this and alongside knowledge and expertise, this will be considered when the Board next recruits.

The Board seeks to uphold the highest standards of professionalism and corporate governance and embraces diversity. It therefore expects the same from its service providers.

Over-boarding

As a member of the AIC, the Company reports against the principles and provisions of the AIC Code, as endorsed by the FRC and the Jersey Financial Services Commission and considers by doing so it provides better information to Shareholders on specific relevance to investment companies.

Principle H of the UK Code states that non-executive directors should have sufficient time to discharge their Board responsibilities.

As an investment company, the Directors consider the Company to demand less time commitment than would be required of an executive of an operating company and that it is not appropriate to have a formulaic approach to assessing whether a Director is able to effectively discharge their duties.

Prior to accepting the appointment as a director of the Company, each Director must disclose existing significant commitments and confirm they have sufficient time to attend to the business of the Company. In addition, before accepting another significant role a Director should confirm to the Chair their ability to meet the ongoing commitments of the Company. The Company Secretary must also be informed in order that the appropriate records can be updated and announcements made if required.

Prior to recommendation for re-election to the Board, each Director's continuing ability to meet the requirements of the role will be assessed by the other Directors by considering, amongst other things, their attendance at Board, committee and other ad hoc meetings or events held during the year.

Director Meetings and Attendance

The table below shows the attendance at Board and committee meetings held from 1 January 2023 to 31 December 2023.

Name	Quarterly Board	Audit and Risk Committee	Management Engagement Committee
Joanna Dentskevich	4/4	5/5	3/3
Alan Dunphy	4/4	5/5	3/3
Nick Watkins	4/4	5/5	3/3
Neal J. Wilson ¹	3/4	N/A	N/A

¹ Retired on 25 August 2023. Attendance at the stated committee meetings was not applicable as Neal J. Wilson was not a member of the respective committees.

Four other ad-hoc Board meetings were held during the year for various purposes, including investment approvals, conflicted investments, the additional 2025 ZDP placing and the approval of interim and annual reports.

Directors' Performance Evaluation

The Board has established a formal system for the evaluation of its effectiveness and performance and that of the individual Directors, which is carried out on an annual basis. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers. The evaluation considers the balance of skills, experience, independence and knowledge of the Board and also the Board's oversight and monitoring of the performance of the Manager and other key service providers.

Director Remuneration

Details of the Directors' remuneration can be found on pages 34 to 35.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Regular communication with major Shareholders is undertaken by the Corporate Brokers and the Manager by way of webinars and arranged video conferencing. Any concerns raised by Shareholders are reported to the Board. In addition, the Chair and individual Directors are willing to meet with Shareholders to discuss performance of the Company and are available to answer any questions that may be raised by Shareholders at the Company's AGM.

Board Committees

Audit and Risk Committee

The Audit and Risk Committee comprises Alan Dunphy (chair), Joanna Dentskevich and Nick Watkins and meets at least four times a year. The Board considers it appropriate for the Chair to be a member of the Audit and Risk Committee given the size of the Company and as she is considered independent.

The key objectives of the Audit and Risk Committee are to review the financial statements of the Company to ensure that they are prepared to a high standard and comply with relevant legislation and guidelines, as appropriate, review the Company's internal control and risk management systems and to maintain an effective relationship with the Auditor. With respect to the Auditor, the Audit and Risk Committee's role will include the assessment of auditor independence, the effectiveness of the audit, and a review of the Auditor's engagement letter, remuneration and approval of any non-audit services to be provided by the Auditor. The Audit and Risk Committee Report on pages 36 to 40 provides further detail of the Audit and Risk Committee's activities during the year.

Management Engagement Committee

The Management Engagement Committee comprises Nick Watkins (chair), Joanna Dentskevich and Alan Dunphy and meets at least once a year.

The Management Engagement Committee is responsible for the regular review of the terms of the Management Agreement, along with the performance of the Administrator, the Manager and the Company's other service providers. A formal review is conducted annually which includes service delivery, the quality of the personnel assigned to handle the Company's affairs and the investment process.

Internal Control and Risk Management System

The Board is responsible for ensuring the maintenance of a robust system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. It is the responsibility of the Audit and Risk Committee to undertake risk assessments and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks faced by the Company and make recommendations to the Board. The internal controls are implemented by the Company's main service providers: the Manager, the Administrator, the Registrar and the Custodians. The Audit and Risk Committee continues to be responsible for reviewing the adequacy and effectiveness of the Company's ongoing risk management systems and processes. Its system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit and Risk Committee and through reports and periodic updates received from service providers at the quarterly Board meetings of the Company. The Directors met with representatives of the Manager in November 2023 as part of their annual review of the Manager and the operating effectiveness of the Manager's controls. The Audit and Risk Committee carried out an on-site due diligence visit at the offices of the Registrar in Jersey in November 2023. The visit involved meeting with senior management and reviewing the operating and regulatory framework of the Registrar.

The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

Further details on Principal Risks of the Company can be found on pages 15 to 18.

CORPORATE GOVERNANCE REPORT (CONTINUED)

AIFM Directive

The Manager is the AIFM of the Company. In such capacity, the Manager is responsible for the portfolio and risk management of the Company, including managing the Company's assets and its day-to-day operations, further details of which are set out in paragraph 11 in the section entitled "Material Contracts" in Part XV: "Additional Information" of the Prospectus. AIFMD requires the AIFM to comply with certain disclosure, reporting and transparency obligations for AIFs that it markets in the EU. The Company's Prospectus contains a schedule of disclosures prepared by the Directors for the purposes of AIFMD.

In addition, AIFMD requires the Annual Report to include details of any material changes to the information contained in that schedule. The Directors confirm that no material changes have occurred in relation to the information contained in the schedule.

In making this confirmation, the Directors consider that any change in respect of which a reasonable investor, becoming aware of such information, would reconsider its investment in the Company, including because the information could impact on the investor's ability to exercise its rights in relation to its investment, or otherwise prejudice that investor's (or any other investor's) interest in the Company, should be considered material.

In setting this threshold, the Directors have had due regard to the current risk profile of the Company, which outlines the relevant measures to assess the Company's exposure or potential exposure to those risks, as well as the Company's investment restrictions set out in the Company's Prospectus. As required by the Listing Rules, any material change to the Investment Policy of the Company will be made only with the approval of the Shareholders.

AIFMD also requires the Company to disclose the remuneration of the Manager as AIFM, providing analysis between fixed and variable fees along with information on how much of such remuneration was paid to senior management at the Manager and how much was paid to members of staff. As the Manager has no employees there is no information to report in that respect and details of the remuneration paid to the Manager are disclosed in note 16.

ESG

The Directors believe in the importance of a strong corporate governance framework to ensure responsible investing focused on the values of the Company and that building trusted relationships with the Company's stakeholders is crucial for delivering long-term sustainable returns to Shareholders.

The Company is not a sustainable investment fund and, whilst the Investment Policy of the Company has no direct impact on the environment per se, when pursuing the Investment Objective and in the selection of the service providers and advisers of the Company, the Company aims to conduct itself responsibly, ethically and fairly with the impact of all material factors, including ESG, on the financial risk and return being considered in the decisions it makes.

The Manager believes that companies which successfully manage their ESG risks, and proactively follow ESG best practices, may experience risk-adjusted outperformance over the longer-term through preservation of investor capital and underpins their commitment to being a responsible fiduciary.

When conducting due diligence on new investments and post investment monitoring, as well as when taking investment decisions for the Company, the Manager takes into account its view of ESG issues and the overall impact they may have on the creation of long-term investor value.

As the Company's investment exposure is predominantly in lower information issuances and securities, an internal framework to evaluate ESG risks and exposures of the Company's investment universe is being developed by the Manager using commoditised data supplemented by existing information to evaluate material ESG risks for each investment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Manager recognises that there are several reporting frameworks to build from when considering relevant materiality factors and has chosen to focus on the SASB's standards and values as a foundation for building the Company's ESG framework. The SASB's standards focus on financial materiality using an overall assessment which is applied to each industry to determine the relative importance of each factor and sub-factor depending on external environment and business model, using existing metrics where possible.

The Company, being an investment entity, is not required to report on TCFD disclosures in its Annual Report, either under the Listing Rules or pursuant to any other regulatory framework. However, it is the intention of the Directors to ensure compliance with any requirements when required.

ESG Strategy

1. The Company will work to incorporate ESG considerations into its decision-making processes, policies and procedures.
2. The Company will ensure that the ESG policies of its service providers and advisers broadly align with the Company's ESG policy to the extent reasonably practicable.
3. ESG risks will be assessed in advance of making investment decisions.
4. The Company will promote ESG acceptance with those it deals with and invests in.
5. The Company will periodically report on its progress.

ESG accomplishments during the year

1. The Manager's ESG Committee maintained significant departmental representation across EJF. Through its diverse membership, the Manager has made meaningful refinements to its process of qualitative analysis for indicia of activities that pose ESG related risks and recalibrated its methodology of mapping those activities through the attributable companies to the investable universe. The Manager continues to evaluate how to incorporate the methodology into the investment process in the future.

ESG goals for year

1. Further develop reporting and transparency on how ESG is considered within the Investment Policy, to provide further climate risk disclosures under TCFD requirements when required to do so.
2. Ensure actions identified during the ESG impact assessment are evaluated by portfolio managers and action taken when deemed appropriate.
3. Review the Company's ESG policy to ensure it remains relevant.

Further detail of this can be found on the Company's website.

Section 172(1) report

The Board believes in a strong corporate governance structure to ensure responsible investing focused on the values of the Company and that building trusted relationships with the Company's stakeholders is crucial for the long-term success of the Company.

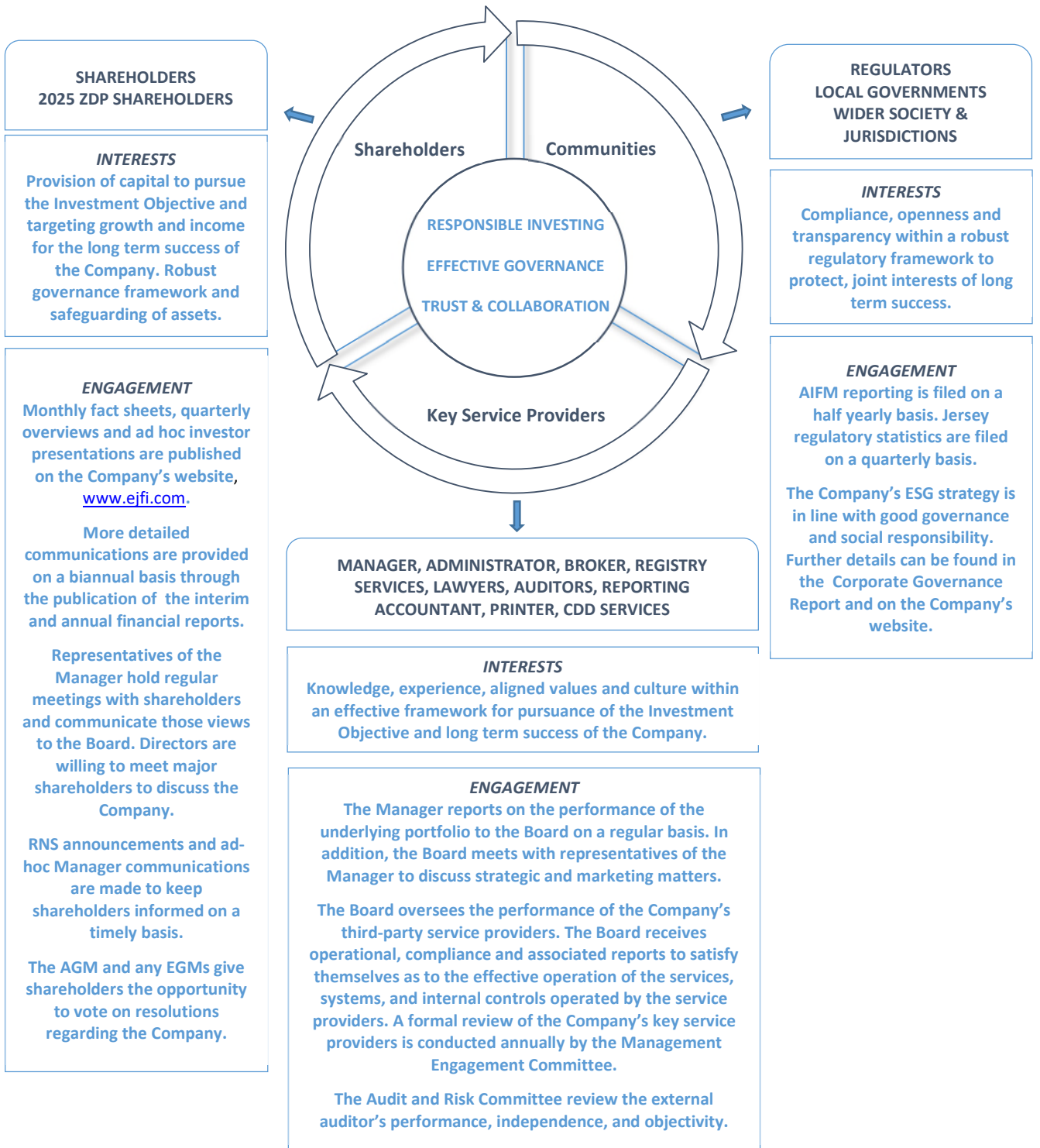
Through the Company's policies and procedures, internal controls and corporate governance, the Directors believe they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole having regard to the stakeholders, as identified below, and matters set out in Section 172(1) as required through their compliance with the AIC Code, in the decisions taken during the year.

Stakeholders

An analysis has been carried out, as shown in the diagram below, to identify the key stakeholders of the Company, interests and how the Directors have considered the interests of the Company's stakeholders.

The Duty came into effect on 31 July 2023 to provide a higher standard of consumer protection for retail customers across financial services. Whilst the Duty does not apply directly to the Company or the Manager, the Directors have concluded that it would be helpful to prepare a summary value assessment. This will be available on the Company's website, www.ejfi.com.

CORPORATE GOVERNANCE REPORT (CONTINUED)



CORPORATE GOVERNANCE REPORT (CONTINUED)**Principal Decisions**

Beyond that of usual engagement and decision making by the Directors, the table below highlights specific actions during the year, where the Directors have had regard for stakeholder interests and the company's objective to provide Shareholders with attractive risk adjusted returns through regular dividends and capital growth over the long term.

Decision	Description	Impact on long term success	Stakeholders
Issue of 2025 ZDP Shares under Placing Programme	On 27 February 2023, the Company issued 2,277,046 2025 ZDP Shares, pursuant to the Company's Placing Programme as detailed in the Prospectus, at a ZDP Placing Price of 119.78 pence per share. Gross proceeds of £2.73 million were raised.	To allow the Company to take advantage of investment opportunities identified by the Manager.	Shareholders The Manager
Appointment of Joint Corporate Broker	On 5 April 2023, the Company appointed Barclays Bank PLC as its joint Corporate Broker, alongside Liberum Capital Limited.	To provide wider market coverage for the Company.	Shareholders The Manager Corporate Brokers
FX Hedge	On 21 June 2023, the Company updated its hedging strategy. From May 2022 until 21 June 2023, the Company had adopted a hedging strategy which allowed the Manager flexibility to hedge foreign exchange risk so that between 60% of US Dollar assets and the final capital entitlement of the ZDP Shares could be hedged. Following the strengthening of Sterling against the US Dollar in June 2023, the Board approved the Manager's request to increase the upper hedging limit to 75% of US Dollar assets, which the Manager may or may not elect to use.	Allowing the Manager more flexibility to hedge foreign exchange risk and help enhance shareholder returns.	Shareholders The Manager
Composition of the Board of Directors	On 25 August 2023, Neal J. Wilson retired as a Director of the Company. Following Neal J. Wilson's retirement, a replacement director was not appointed, and the Board comprised the three existing independent Directors. Neal J. Wilson remains on the board of EJFIH.	To bring the Company into alignment with best practice corporate governance.	Shareholders The Manager
Duty	Whilst the Company and Manager are out of scope of the Duty, during the year, the Directors determined that carrying out a value assessment of the Company, to supplement its key information document, would be of benefit to the Company.	To aid investors and distributors to determine whether the Ordinary Shares of the Company offer fair value at a fair price.	Shareholders Regulator

By Order of the Board

Joanna Dentskevich
Chair

Date: 27 March 2024

EJF INVESTMENTS LIMITED
DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Company for the year ended 31 December 2023. The Corporate Governance Report set out on pages 22 to 30 forms part of this report.

Principal Activities, Business Review and Future Developments

The principal activities of the Group during the year were to invest in opportunities created by regulatory and structural changes impacting the financial services sector. No changes are envisaged in the Group's principal activities although future opportunities may include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats which may be issued by entities domiciled in the US, UK and Europe. Information about the use of financial instruments by the Group is given in note 14 to the Audited Financial Statements.

Details of significant events since the Statement of Financial Position date are contained in note 18 to the Audited Financial Statements.

An indication of likely future developments in the business of the Company are included in the Chair's Statement on pages 7 to 9 and the Manager's Report on pages 10 to 14.

Results and Dividends

Results for the year ended 31 December 2023 are set out in the Statement of Comprehensive Income on page 50.

The Directors declared and paid dividends of £6,542,536 (31 December 2022: £6,542,536) during the year ended 31 December 2023. Further details can be found in notes 12 and 18.

Stated Capital

At 31 December 2023, the Company's issued share capital comprised 76,953,707 Ordinary Shares (31 December 2022: 76,953,707 Ordinary Shares), of which 15,808,509 were held in treasury (31 December 2022: 15,808,509). The total number of voting rights of the Ordinary Shares is 61,145,198 (31 December 2022: 61,145,198). Further details can be found in note 11.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Auditor is unaware and each Director has taken all the steps that they ought to have taken as a Director to make them aware of any relevant audit information and to establish that the Auditor is aware of that information.

Financial Risk Management

Information about the Company's and EJFIH's financial risk management objectives is set out in note 14 to the Audited Financial Statements.

Directors and Directors' Interests

The Directors are listed on page 19.

Details of the Directors' remuneration are included in the Remuneration Report on pages 34 to 35.

Directors' Insurance

During the year ended 31 December 2023 and up until the date of the signing of the Audited Financial Statements, the Company has maintained directors' and officers' liability insurance, which is deemed to give appropriate cover for any potential legal action that could be brought against the Directors.

DIRECTORS' REPORT (CONTINUED)**Significant Shareholdings**

In accordance with chapter five of the Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), the following Shareholders had an interest of greater than 5% in the Company's issued share capital as at 31 December 2023:

Name	Ordinary Shares	% of total voting rights¹
Cheetah Holdings Limited	11,816,558	19.33
Premier Miton Investors ²	5,018,666	8.21
Leon Cooperman	4,000,000	6.54
Sapia Partners	3,580,984	5.86
Wolfson Equities	3,314,960	5.42
Newton Investment Management Limited ²	3,180,402	5.20
William E Conway Jr	3,113,415	5.09
	34,024,985	55.65

¹ The total voting rights is the number Ordinary Shares in issue after adjusting for treasury shares. The % of total voting rights is calculated by dividing the number of ordinary Shares by the total voting rights.

² These are investment platforms.

The Company did not receive any notifications during the period 1 January 2024 to 27 March 2024.

Independent Auditor

A resolution to re-appoint the Auditor will be put to Shareholders at the next AGM.

Manager

The Directors are responsible for the determination of the Company's Investment Policy and have overall responsibility for the Group's activities. The Company has, however, entered into a Management Agreement with the Manager under which the Manager has been appointed to manage the assets of the Group which include research, analysis and selection of investment opportunities for the Group and monitoring the ongoing performance of the investments.

The Directors consider that the interests of the Company's shareholders as a whole are best served by the continued appointment of the Manager to achieve the Company's Investment Objective.

Going Concern

The Directors have performed a detailed assessment of the Company's ability to meet its liabilities as they fall due for the period of at least twelve months from the date of signing the Audited Financial Statements, including evaluating severe but plausible downside scenarios of a significant reduction in the liquidity and cash flow generation of its investments. The assessment was completed with reference to the cash position of the Group, the operating expenses and the potential default risk of the investments held.

In light of the analysis, the Directors are satisfied that, at the time of approving the Audited Financial Statements, there is a reasonable expectation that the Company will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the Audited Financial Statements and have therefore prepared the Audited Financial Statements on a going concern basis.

DIRECTORS' REPORT (CONTINUED)

Viability Statement

The Directors, in conjunction with the Audit and Risk Committee and the Manager, have conducted a robust assessment of the viability of the Company, taking into account the Principal Risks that the Group faces, and the impact of extreme but plausible market scenarios on the viability of the Company over a three year period, albeit the Directors consider the Company to be a much longer term investment proposition for its Shareholders.

Time period

In establishing the three-year time horizon over which to consider the longer-term viability of the Company, the Directors considered the nature of the investment portfolio of the Group, and the Investment Objective of the Company taking into account the working capital model forecasting.

Stress testing

From their assessment of the Principal Risks, the Directors consider 'Credit Risk' and 'Availability of cash for investment opportunities and payment of liabilities' to be the two key Principal Risks that most impact the viability of the Company. These risks were then considered when determining the scenarios to be used in the stress testing of the extreme market scenarios used in the stress tests which include:

- severe but plausible adverse movements in bank and insurance company default rates which impact the cash inflows from CDO Equity Tranches;
- foreign exchange movements impacting margin calls on the forward currency contracts; and
- no rollover of 2025 ZDPs maturing in June 2025.

General credit and economic conditions are monitored by the Manager, which provide insight into adverse changes at macro-economic levels. The Company has processes for monitoring operating costs, share price discount and the Manager's compliance with the Company's investment policy and investment restrictions.

Having considered these scenarios individually as well as simultaneously in conjunction with the potential remedies that could be put in place to mitigate the impact on the Company's liquidity and cash flows, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its financial covenants and operating expenses as they fall due over the three-year assessment period.

Events after the Reporting Period

Refer to note 18 for further details on events after the reporting period.

General Meetings

The 2024 AGM will be held on 6 June 2024 at the Company's registered office in Jersey. The Directors recognise the importance of Shareholder engagement and there is the opportunity for Shareholders to attend the AGM should they wish. Any changes to the AGM date will be communicated via the Company's website, www.ejfi.com, and the LSE.

By Order of the Board

Joanna Dentskevich
Chair

Date: 27 March 2024

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their report on remuneration for the year ended 31 December 2023.

The Directors believe that due to the size and nature of the Company it would be unnecessarily burdensome to establish a separate remuneration committee. Remuneration matters are therefore included in matters reserved for the Board.

Remuneration Policy

Directors are entitled to receive a fixed fee based upon their duties, responsibilities and time spent up to an aggregate limit of £150,000 per annum as well as a fee for any special service at the request of the Company. As such, the Chair of the Board and the chairs of the Audit and Risk Committee and the Management Engagement Committee each receive an additional fee. Directors are also paid all reasonable travel expenses.

No element of the Directors' remuneration is performance related nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company. In accordance with the AIC Code, no Director is involved in deciding their remuneration.

No Director has a service contract with the Company, and no such contracts are proposed. Directors' appointments can be terminated in accordance with the Company's Articles and without compensation.

Directors' Remuneration

As at 31 December 2022, the Directors were each entitled to a fee of £40,000 per annum with additional fees being paid to the Chair of the Board of £10,000 per annum and to the chair of the Audit and Risk Committee of £5,000 per annum. During the year, the Board approved an increase to Director fees of 10% effective 1 January 2023. Subsequently, the Board also agreed that Nick Watkins should receive an additional fee of £1,500 for the 2023 calendar year, payable with effect from 1 July 2023, and an additional fee of £1,500 per annum thereafter, in respect of his role as chair of the Management Engagement Committee. Neal Wilson waived his right to receive remuneration¹.

For the year under consideration, the Directors received the following amounts:

Director	2023 £	2022 £
Joanna Dentskevich	55,000	50,000
Alan Dunphy	49,500	45,000
Nick Watkins	45,500	40,000
Neal Wilson ¹	-	-
Total	150,000	135,000

Directors' expenses paid in the year were £217 (31 December 2022: £13,156).

No other remuneration or compensation was paid by the Company to the Directors during the years ended 31 December 2023 and 31 December 2022.

Directors' and officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The terms of the Directors' appointments as non-executive Directors are set out in letters issued in April 2017 (as amended in January 2019).

¹ Retired as a Director on 25 August 2023.

DIRECTORS' REMUNERATION REPORT (CONTINUED)**Ordinary Shares held by Directors**

Ordinary Shares held by the Directors as at year end were as follows:

Director	Ordinary Shares	Percentage of Ordinary Shares in Issue	Ordinary Shares	Percentage of Ordinary Shares in Issue
	31 December 2023 ¹	31 December 2023 ²	31 December 2022 ¹	31 December 2022 ²
Joanna Dentskevich	77,896	0.127%	77,896	0.127%
Nick Watkins	10,000	0.016%	10,000	0.016%
Neal Wilson ³	n/a	n/a	1,718,881	2.811%

ZDP Shares held by Directors

2025 ZDP Shares held by the Directors as at year end were as follows:

Director	2025 ZDP Shares	Percentage of 2025 ZDP Shares in Issue	2025 ZDP Shares	Percentage of 2025 ZDP Shares in Issue
	31 December 2023 ¹	31 December 2023 ²	31 December 2022 ¹	31 December 2022 ²
Joanna Dentskevich	30,000	0.156%	30,000	0.177%
Nick Watkins	10,000	0.052%	10,000	0.059%
Neal Wilson ³	n/a	n/a	1,000,000	5.883%

¹ The Directors' shareholdings are either direct and/or indirect holdings of shares.² The calculation of shareholding % is based on the number of shares in issue after adjusting for treasury shares.³ Retired as a Director on 25 August 2023.**Joanna Dentskevich****Chair**

Date: 27 March 2024

AUDIT AND RISK COMMITTEE REPORT

The Board is supported by the Audit and Risk Committee with formally delegated duties and responsibilities relating to audit and risk, as set out in written terms of reference which are available on the Company's website.

Chair and Membership

The Audit and Risk Committee is chaired by Alan Dunphy with its other members being Joanna Dentskevich and Nick Watkins. All members are independent, have no links with the Auditor and are independent of the Manager. The Audit and Risk Committee meets at least four times a year at appropriate times in the financial reporting cycle and to meet with the Auditor as appropriate. The membership of the Audit and Risk Committee and its terms of reference are kept under review.

The Board has considered the composition of the Audit and Risk Committee and is satisfied it has sufficient recent and relevant skills and experience. In particular, the Board has considered the requirements of the UK Code that the Audit and Risk Committee should have at least one member who has recent and relevant financial experience and that the Audit and Risk Committee, as a whole, has competence relevant to the sector in which the Company invests. The Board considers all the relevant requirements to have been met. The relevant qualifications and experience of each member are detailed on page 19.

Key Responsibilities

The Audit and Risk Committee's primary role and responsibility is to review and monitor the integrity of the Company's Annual Report and Interim Report to ensure they are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy and reporting to the Board accordingly. This includes reviewing the Independent Auditors' Report.

The Audit and Risk Committee's other roles and responsibilities include, but are not limited to:

- reporting to the Board on any significant financial reporting issues and judgements;
- reviewing and challenging where necessary significant accounting policies and practices, including the basis on which the Company is determined as a going concern and a review of the viability statement included in the Annual Report taking into account the Company's financial position and principal risks identified;
- reviewing the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- assessing any correspondence from regulators in relation to the Company's financial reporting;
- reviewing the external auditor's performance, independence and objectivity to include a report from the external auditor on its own internal quality procedures;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor, the approval of the external auditor's remuneration and the terms of the engagement;
- developing and implementing policies surrounding the engagement of the external auditor to supply non-audit services, where appropriate;
- considering regularly whether the Company should have an internal audit function and making a recommendation to the Board accordingly;
- advising the Board on the Company's overall risk strategy and to establish the risk assessment measures and methodologies to be employed by the Company; and
- reporting to the Board on how it has discharged its responsibilities.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

How the Audit and Risk Committee has Discharged Its Responsibilities

The Audit and Risk Committee met 6 times during the year (5 of which comprised formal committee meetings) and the individual attendance of the Audit and Risk Committee members is outlined on page 25. Representatives of the Manager, Auditor and Administrator were present as required. The main matters discussed at those meetings were:

- detailed review of the 2022 Annual Report and recommendation for approval by the Board;
- review of the Company's and EJFIH's key risks and internal controls;
- assessment of the final audit findings document presented by the Auditor in respect of the audit of the 2022 Annual Report;
- consideration of the independence of the Auditor;
- review and approval of the interim review plan of the Auditor in respect of the 2023 Interim Report;
- detailed review of the 2023 Interim Report and recommendation for approval by the Board;
- review of the effectiveness of the Auditor;
- review and approval of the annual audit plan of the Auditor in respect of the 2023 Annual Report; and
- review of the Company's ESG policy and review of the output from the Manager's processes in relation to ESG matters.

Subsequent to year end, up to the date of approval of the Annual Report, the Audit and Risk Committee met 2 times to discuss risk matters and undertake detailed reviews of the 2023 Annual Report. The main matters discussed at those meetings were:

- review and update of the Company's risk register and corresponding principal risks for inclusion in the Annual Report;
- review of updated terms of reference of the Audit and Risk Committee;
- specific consideration of fraud and bribery risk, and consideration of robustness of relevant whistleblowing policies;
- review and challenge of the Manager's stress tests for the purposes of the viability statement and consideration of the duration of the viability period;
- review of the positive assurance report in relation to the valuation of the interest in the CDO Manager;
- review and update of the Company's anti-money laundering, countering of the financing of terrorism and countering proliferation financing risk assessment to include all aspects of financial crime;
- review of policies and procedures;
- review of the 2023 Annual Report and recommendation for approval by the Board;
- assessment of the final audit findings document presented by the Auditor in respect of the audit of the 2023 Annual Report;
- discussion and final approval of the Auditor's fees for the 2023 annual audit; and
- assessment of the independence of the Auditor.

Monitoring the Integrity of the Audited Financial Statements including Significant Judgement and Estimates

The Audit and Risk Committee reviewed the 2023 Interim Report and 2023 Annual Report prior to discussion and approval by the Board, and the significant financial reporting issues and judgements contained therein. It also reviewed the Auditor's reports thereon and reviewed the appropriateness of the Company's accounting principles and policies and monitored changes to, and compliance with, accounting standards on an ongoing basis.

The Audit and Risk Committee discussed with the Manager and the Administrator the critical accounting policies and judgements that have been applied and considered and determined the following:

- that the Company continues to meet the definition of an Investment Entity in accordance with IFRS 10;
- that the Company's investment in EJFIH should be classified at Level 3, as it is not traded and contains unobservable inputs; and
- due to the materiality of the Company's investment in EJFIH, in the context of the Audited Financial Statements as a whole and the judgement and estimation associated with the valuation of Level 3 investments, investments are considered to be the area which should have the greatest effect on the overall audit strategy and allocation of resources in planning and completing the audit.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

As requested by the Board, the Audit and Risk Committee also reviewed the Annual Report and was able to confirm to the Board that, in their view, the Annual Report, taken as a whole, was fair, balanced and understandable and provided the information necessary for Shareholders to assess the Company's position, performance, business model and strategy.

Significant and other Accounting Matters

The significant accounting matters associated with the preparation of the Annual Report are:

Significant accounting matter	How addressed by the Audit and Risk Committee
Valuation of the investment in EJFIH	<p>EJFIH is not traded and contains unobservable inputs and is therefore classified as a Level 3 investment under IFRS 13. The Company holds a direct investment in EJFIH and the Board considers that the NAV of EJFIH is representative of its fair value.</p> <p>The NAV of EJFIH has been presented in the Annual Report on a look-through basis to the underlying investment positions. See details in notes 8 and 14. EJFIH holds a number of different Level 3 investments which are also measured at fair value.</p> <p>The Audit and Risk Committee receives regular updates on the performance of the Portfolio from the Manager. It also reviews the Manager's valuation policy and challenges the Manager on the valuation. The Audit and Risk Committee is not aware of any discrepancies with the valuation methodologies adopted or the independent valuation procedures carried out by the valuation agents.</p> <p>The Company values the underlying positions held in EJFIH as per below (further information regarding the valuation methodologies and the resultant valuations can be found on pages 73 to 74):</p> <p>Partnership The Partnership is valued by reference to the EJFIH's proportionate share of the NAV. The underlying investments by the Partnership into CDO Equity Tranches are marked clean to broker quotes with the Manager estimating the expected accrual of interest earned on each security.</p> <p>CDO Manager The Manager has appointed a recognised independent valuation agent to value the CDO Manager based on the underlying CDO management contract cash flows expectations, using inputs and models developed by the Manager.</p> <p>CDO Securities The Manager has appointed a recognised independent valuation agent to provide a positive assurance report on the Manager's valuation model of the underlying CDO management contracts.</p> <p>European debt securities and US Bank debt The securities are marked clean to broker quotes with interest accrued separately.</p> <p>Preference Shares The shares are marked clean to broker quotes with the Manager estimating the expected accrual of interest earned on each security.</p> <p>Derivative financial instruments at FVTPL The Manager determines the fair value of the forward foreign currency contracts using quoted mid forward exchange rates as at the reporting date.</p> <p>Seneca Portfolio Seneca is valued based on EJFIH's proportionate share of the NAV.</p>

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

Risk Management

The Board as a whole is responsible for the Company's system of internal controls and the Audit and Risk Committee assists the Board in meeting those obligations, as set out in its terms of reference. The Board does not currently consider an internal audit function to be required given the size and nature of the Company's operations and instead places reliance on the controls applied by the Company's service providers as regulated entities. The Audit and Risk Committee has reviewed the Administrator's most recent ISAE 3402 Report on Fund Administration (Report on the description of controls placed in operation, their design and operating effectiveness for the period from 1 October 2022 to 30 September 2023) and is pleased to note that no significant issues were identified. In addition, the Administrator has provided a bridging letter covering the period from 1 October 2022 to 31 December 2023, which confirms the controls referenced in the ISAE 3402 Report are still in place and operated effectively in this period.

The quarterly reporting from the Manager, Administrator, Compliance Officer and Registrar forms a key part of the monitoring and review of the internal controls of the Company. Additionally, the Company receives confirmations from its principal service providers that no material issues have arisen in respect of their systems of internal controls and risk management.

During the year, the Audit and Risk Committee carried out an on-site due diligence visit at the offices of the Registrar in Jersey. This visit involved meeting with senior management of the Registrar and reviewing the operational and regulatory framework of the Registrar. No significant risk issues were identified from the review which are required to be brought to Shareholders' attention.

During the year, a meeting was held with representatives of the Manager to review any changes to the Manager's controls and the operating effectiveness of the Manager's existing controls. The Audit and Risk Committee reaffirms that, to date, there are no risk issues identified in this area which need to be brought to Shareholders' attention.

External Auditor

It is the responsibility of the Audit and Risk Committee to monitor the performance, independence, objectivity and reappointment of the Auditor. The Audit and Risk Committee met with the Auditor to consider the audit strategy and plan for the audit. The audit plan for the reporting period was reviewed, including consideration of the key audit matters and audit risks, to seek to ensure that the audit was appropriately focused.

The Auditor attended a number of the Audit and Risk Committee meetings throughout the year, which allowed the Auditor the opportunity to discuss any matters it wished to raise. The Auditor provided feedback at each Audit and Risk Committee meeting on topics such as the key accounting matters, mandatory communications and the control environment. The Audit and Risk Committee chair meets with the Auditor ahead of Audit and Risk Committee meetings to review key audit and review areas for discussion with the Audit and Risk Committee. The Auditor is not in attendance when their performance and/or levels of remuneration are discussed. The Auditor has the opportunity to meet with the Audit and Risk Committee without representatives of the Manager being present.

The Auditor engages independent valuation specialists to assist in the audit of the Company's asset valuations. Their valuations team are based in Frankfurt, Germany and consist of 80 valuation specialists. They perform valuation testing by repricing complex financial assets. A senior representative of the valuation specialists team attended the Audit and Risk Committee meeting at which the Auditor presented the final audit findings in respect of the audit of the 2023 Annual Report, including an overview of the independent valuation work and methodology undertaken and a summary of differences identified. The Audit and Risk Committee was satisfied that the differences identified by the Auditor were within an acceptable level of deviation.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

The Auditor was remunerated as follows:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Annual audit	148,500	137,500
Total audit fee	148,500	137,500
Interim review	48,600	45,000
Total audit and non-audit related services fees	197,100	182,500

The Audit and Risk Committee continues to be satisfied with the performance of the Auditor. We have therefore recommended to the Board that the Auditor, in accordance with agreed terms of engagement and remuneration, should continue as the Company's external auditor. Accordingly, a resolution proposing the reappointment of the Company's auditor will be put to the Shareholders at the forthcoming AGM.

A member of the Audit and Risk Committee will be available to Shareholders at the forthcoming AGM of the Company to answer any questions relating to the role of the Audit and Risk Committee.

The Auditor has been appointed since the Company commenced trading. The Audit and Risk Committee is satisfied that the lead audit partner has the experience, independence and industry knowledge to be an effective lead audit partner.

The Audit and Risk Committee is also responsible for the audit tender process and will take all key decisions covering timing, approach, evaluation criteria and recommendations. The tender is expected to occur four years following the conclusion of the 2023 Annual Report.

Alan Dunphy
Audit and Risk Committee Chair
 Date: 27 March 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, including the Directors' Remuneration Report in accordance with applicable law and regulations.

The Companies Law requires the Directors to prepare audited financial statements for each financial year. Under the Companies Law they are required to prepare the audited financial statements in accordance with IFRS and applicable law.

Under the Companies Law, the Directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that year. In preparing the audited financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the audited financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping proper records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its audited financial statements comply with the Companies Law. They are responsible for such internal control as they determine is necessary to enable the preparation of audited financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of audited financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and Audited Financial Statements

We confirm that to the best of our knowledge:

- the Audited Financial Statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as at and for the year ended 31 December 2023, as required by DTR 4.1.12R; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces, as required by DTR 4.1.8R and DTR 4.1.11R.

We consider the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement has been approved by the Board and is signed on its behalf by:

Joanna Dentskevich

Chair

Date: 27 March 2024

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED



1. Our opinion is unmodified

We have audited the financial statements of EJF Investments Ltd ("the Company") for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the issued by the International Accounting Standards Board ("IASB"), of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended; and
- have been properly prepared in accordance with Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality:	£1.22m (2022: £1.38m)	
financial statements as a whole	1% (2022: 1% of Total assets)	
Key audit matter		vs 2022
Recurring risk	Valuation of financial asset at fair value through profit or loss	◀▶

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED (CONTINUED)

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2022):

	The risk	Our response
<p>Valuation of financial asset at fair value through profit or loss</p> <p>£121.68 million (2022: £131.96 million)</p> <p><i>Refer to page 36 to 40 Audit and Risk Committee Report, page 54 to 60 for accounting policies and page 68 to 84 for financial disclosures.</i></p> <p><i>Risk level remains unchanged from prior year</i></p>	<p>Subjective Valuation</p> <p>The financial asset at fair value through profit or loss represents a 100% (2022: 100%) holding in EJF Investment Holdings Limited ("the Holdco") and constitutes 99% (2022: 99%) of the Company's total assets.</p> <p>The fair value of the investment in the Holdco is largely determined by reference to the underlying investments in the Holdco, which are all held at fair value. As those underlying investments are largely made up of financial instruments for which no observable market price is readily available, their fair value is determined through the application of valuation techniques which involve significant judgement by the Company. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of the investment has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p> <p>The financial statements note 14 discloses the sensitivity estimated by the Company.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <p>Control design:</p> <p>Documenting and assessing the design and implementation of the Company's investment valuation processes and controls. We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Methodology choice:</p> <p>Challenging the investment manager on the appropriateness of the valuation bases selected, with reference to observed industry best practice.</p> <p>Our valuations experience:</p> <p>Challenging the investment manager on key judgements made affecting valuations, such as selection of appropriate discount factors, future cash flows and other unobservable inputs, with reference to historical data and market research.</p> <p>Independent re-performance:</p> <p>For the Holdco investments in other entities valued on a net assets value basis, independently assessing the net asset values, including the use of our valuation specialists to independently value the underlying investments held by those entities. Recalculating the valuation of investments in other entities by applying the ownership percentages to the relevant net asset value.</p> <p>For the underlying investments held directly by the Holdco, independently assessing the fair values, including the use of our valuation specialists to independently value the investments.</p> <p>Comparing the reported valuation with the valuation derived by us using independently derived valuations models and market observable data.</p> <p>Performing an assessment of whether any over/understatement of valuation identified through these procedures was material.</p> <p>Assessing transparency:</p> <p>Consideration of the appropriateness, in accordance with relevant accounting standards, of the disclosures in respect of the investment in the Holdco and its underlying investments and the effect of changing one or more inputs to reasonably possible alternative valuation assumptions.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED (CONTINUED)

3. Our application of materiality and an overview of the scope of our audit

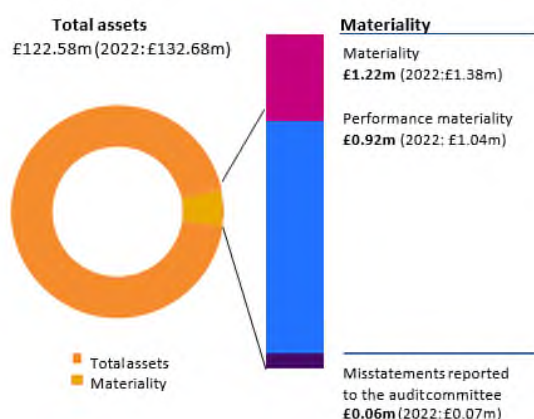
Materiality for the financial statements as a whole was set at £1.22m (2022: £1.38m), determined with reference to a benchmark of total assets, of which it represents 1% (2022: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £0.92m million (2022: £1.04 million). We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.06m (2022: £0.07m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above and was performed by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.



4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern assessment period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources, and its ability to operate over this period were:

- The impact of a significant reduction in the valuation of the underlying assets in the portfolio, including due to economic uncertainty and default on underlying collateral in securitization investments alongside a 100% repayment of the ZDP shares; and
- Adverse foreign exchange margin calls reducing the availability of cash to meet ongoing obligations as they fall due.

4. Going concern (continued)

We considered whether these risks could plausibly affect the liquidity in the going concern by assessing the directors' sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

We considered whether the going concern disclosure in note 2.1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2.1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Directors and Administrator as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Obtaining an understanding of the segregation of duties in place between the Directors, the Administrator and the Company's Investment Manager; and
- Reading Board minutes and Audit and Risk Committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular to the risk that management may be in a position to make inappropriate accounting entries. We evaluated the design and implementation of the controls over journal entries and other adjustments and made inquiries of the Administrator about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We substantively tested all material post-closing entries by comparing the identified entries to supporting documentation and, based on the results of our risk assessment procedures and understanding of the process, including the segregation of duties between the Directors and the Administrator, no further high-risk journal entries or other adjustments were identified.

On this audit we have rebutted the fraud risk related to revenue recognition because the revenue is non-judgemental and straightforward, with limited opportunity for manipulation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED (CONTINUED)**5. Fraud and breaches of laws and regulations – ability to detect (continued)***Identifying and responding to risks of material misstatement due to fraud*

We did not identify any additional fraud risks.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Directors and the Administrator (as required by auditing standards) and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation as set out by Companies (Jersey) Law 1991 and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, data protection, anti-money laundering, market abuse regulations and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and the Administrator and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED (CONTINUED)**6. We have nothing to report on the other information in the Annual Report**

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 33 that they have carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks, Uncertainties and Emerging Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Company, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit and Risk Committee, including the significant issues that the Audit and Risk committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED (CONTINUED)**7. We have nothing to report on the other matters on which we are required to report by exception**

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the company's accounts are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities*Directors' responsibilities*

As explained more fully in their statement set out on page 41, the Directors are responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Carla Cassidy

for and on behalf of KPMG LLP

Chartered Accountants and Recognised Auditor

15 Canada Square

London

E14 5GL

27 March 2024

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED (CONTINUED)

To EJF Investments Limited and the members of EJF Investments Limited

Report on the Audit of the Financial Statements*Opinion*

We have audited the financial statements of EJF Investments Limited ("the Company"), which comprise the statements of financial position as of 31 December 2023 and 2022, and the related statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2023 and 2022, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the International Accounting Standards, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued; to disclose, as applicable, matters related to going concern; and to use the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EJF INVESTMENTS LIMITED (CONTINUED)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

The purpose of our audit work and to whom we owe our responsibilities.

Our report has been prepared for the Company solely in accordance with the terms of our engagement. Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context.

Subject to the terms and conditions of our letter of engagement dated 8 September 2022 ("the Engagement Letter"), this report is addressed to the members of the Company ("the Investors"), who may rely on this report under the Contracts (Rights of Third Parties) Act 1999. The terms of the Engagement Letter are available to Investors on request.

This report should not be regarded as suitable to be used or relied on by any party wishing to acquire any rights against KPMG LLP, other than the Company and the Investors for any purpose or in any context. Any party other than the Company or the Investors who obtain access to this report or a copy and choose to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP, will accept no responsibility or liability in respect of this report to any other party.

London, United Kingdom
27 March 2024

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

	Notes	1 January 2023 to 31 December 2023 £	1 January 2022 to 31 December 2022 £
Dividend income	5	8,000,000	8,500,000
Net foreign exchange gain/(loss)		83	(439)
Net unrealised (loss)/gain on financial assets held at FVTPL	8	(12,977,243)	8,941,618
Total (loss)/income		(4,977,160)	17,441,179
Investment Management fee	16	(879,003)	(965,902)
Legal fees		(128,717)	(73,495)
Professional fees		(205,663)	(209,916)
Administration fees		(170,981)	(179,701)
Directors' fees	16	(150,000)	(135,000)
Directors' and professional indemnity insurance	16	(49,403)	(55,657)
Audit fees	6	(197,100)	(182,500)
Printing fees		(64,302)	(42,526)
Listing fees		(15,431)	(13,660)
Tax services fees		(6,202)	(24,547)
Other expenses		(2,329)	(18,940)
Total operating expenses		(1,869,131)	(1,901,844)
Expenses reimbursed by the Manager	16	612,234	546,976
Net operating expenses		(1,256,897)	(1,354,868)
Operating (loss)/profit		(6,234,057)	16,086,311
Finance costs	7	(1,749,483)	(1,831,236)
(Loss)/profit and total comprehensive (loss)/income for the year attributable to Shareholders		(7,983,540)	14,255,075
Weighted average number of Ordinary Shares in issue during the year	17	61,145,198	61,145,198
Basic and diluted (loss)/earnings per Ordinary Share	17	(13.1)p	23.3p

All items in the above statement are derived from continuing operations. No operations were acquired or discontinued during the year.

The accompanying notes on pages 54 to 91 form an integral part of these Audited Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

	Notes	31 December 2023 £	31 December 2022 £
Non-current assets			
Financial assets at FVTPL	8	121,682,398	131,959,641
Current assets			
Cash and cash equivalents		660,830	359,298
Balance due from the Manager	16	196,733	348,345
Prepaid expenses		35,596	14,730
Total current assets		893,159	722,373
Total assets		122,575,557	132,682,014
Non-current liabilities			
ZDP Shares	10	(24,076,047)	(19,666,072)
Current liabilities			
Accounts payables and accrued expenses	9	(513,711)	(504,067)
Total current liabilities		(513,711)	(504,067)
Total liabilities		(24,589,758)	(20,170,139)
Net assets		97,985,799	112,511,875
Equity			
Stated capital	11	85,254,127	85,254,127
Retained earnings		12,731,672	27,257,748
Total Equity		97,985,799	112,511,875
Number of Ordinary Shares in issue at year end (excluding treasury shares)	11	61,145,198	61,145,198
NAV per Ordinary Share		160p	184p

The Audited Financial Statements were approved and authorised for issue by the Board on 27 March 2024 and signed on its behalf by:

Alan Dunphy
Director

The accompanying notes on pages 54 to 91 form an integral part of these Audited Financial Statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

For the year ended 31 December 2023

	Notes	Number of Ordinary Shares	Stated capital £	Retained earnings £	Net assets attributable to Shareholders £
Balance at 1 January 2023		61,145,198	85,254,127	27,257,748	112,511,875
Total comprehensive loss for the year attributable to Shareholders		-	-	(7,983,540)	(7,983,540)
Transactions with Shareholders					
Dividends paid	12	-	-	(6,542,536)	(6,542,536)
Balance at 31 December 2023		61,145,198	85,254,127	12,731,672	97,985,799

For the year ended 31 December 2022

	Notes	Number of Ordinary Shares	Stated capital £	Retained earnings £	Net assets attributable to Shareholders £
Balance at 1 January 2022		61,145,198	85,254,127	19,545,209	104,799,336
Total comprehensive income for the year attributable to Shareholders		-	-	14,255,075	14,255,075
Transactions with Shareholders					
Dividends paid	12	-	-	(6,542,536)	(6,542,536)
Balance at 31 December 2022		61,145,198	85,254,127	27,257,748	112,511,875

The accompanying notes on pages 54 to 91 form an integral part of these Audited Financial Statements.

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

	Notes	1 January 2023 to 31 December 2023 £	1 January 2022 to 31 December 2022 £
Cash flows from operating activities			
(Loss)/profit and total comprehensive (loss)/income for the year		(7,983,540)	14,255,075
Adjustments for:			
Amortisation of ZDP Shares and issuance costs	7, 10	1,766,535	1,833,501
ZDP Shares issuance costs	10	(84,006)	(793,610)
Net unrealised loss/(gain) on financial assets held at FVTPL	8	12,977,243	(8,941,618)
Net foreign exchange (gain)/loss		(83)	439
Return of capital	8	-	6,500,000
Investment into EJFIH	8	(2,700,000)	-
Changes in net assets and liabilities			
Balance due from the Manager		151,612	(18,634)
Prepaid expenses		(20,866)	3,300
Account payables and accrued expenses		9,644	55,558
Net cash generated from operating activities		4,116,539	12,894,011
Cash flow from financing activities			
Redemption of ZDP Shares	10	-	(6,584,341)
Proceeds from issuance of 2025 ZDP Shares	10	2,727,446	-
Dividends paid	12	(6,542,536)	(6,542,536)
Net cash used in financing activities		(3,815,090)	(13,126,877)
Net increase/(decrease) in cash and cash equivalents		301,449	(232,866)
Cash and cash equivalents at the start of the year		359,298	592,603
Effect of movements in exchange rates on cash held		83	(439)
Cash and cash equivalents at the end of the year		660,830	359,298

The accompanying notes on pages 54 to 91 form an integral part of these Audited Financial Statements.

1. General Information

EJFI is a closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey on 20 October 2016 under the provisions of the Companies Law with registration number 122353 and is regulated as a collective investment fund under the Collective Investment Funds (Jersey) Law 1988. The Company's registered office and principal place of business is IFC1, The Esplanade, St. Helier, Jersey JE1 4BP, Channel Islands. The principal legislation under which the Company operates is the Companies Law. The Company's stated capital comprises Ordinary Shares admitted to trading on the SFS. The 2025 ZDP Shares are also admitted to trading on the SFS.

The Company does not have a fixed life. Under the Company's Articles, on or about each fifth anniversary of the Company's Shares being admitted to trading on LSE, the Directors shall procure that an EGM of the Company be convened at which a Continuance Resolution will be proposed. The first Continuance Resolution was passed at the Company's EGM held on 5 May 2022. The next Continuation Vote will take place on or around 7 April 2027, being five years from the most recent vote.

The Manager has been appointed by the Company to provide management and investment management services and the Administrator has been appointed to provide administration services to the Company.

EJF holds 100% of the voting rights in the Manager. EJF is an investment adviser principally located in the US and registered as such with the SEC and as a CPO and CTA with the CFTC. The Company has appointed the Manager to act as its AIFM for the purposes of the AIFM Directive.

Additional information has been provided in Note 19 to allow the Manager to avail of the audit exemption as prescribed in Rule 206 (4)-2 of the US Investment Adviser Act 1940.

The Company has one subsidiary, EJFIH (incorporated on 9 June 2017), of which it owns 100% (31 December 2022: 100%) of the share capital. Refer to note 13 for further information on EJFIH and EJFIH's subsidiaries and associates.

Through EJFIH, the Company primarily invests in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities can include structured debt and equity, loans, bonds, preference shares, convertible notes, European debt securities and private equity, in both cash and synthetic formats issued by entities domiciled in the US, UK and Europe.

2. Significant Accounting Policies

2.1 Basis of Preparation

(a) Statement of Compliance

The Audited Financial Statements of the Company have been prepared in accordance with IFRS together with the interpretations of the International Accounting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee which remain in effect. The Audited Financial Statements have been prepared to give a true and fair view of the Company's affairs and to comply with the requirements of the Companies Law.

(b) Basis of measurement

These Audited Financial Statements have been prepared on the historical cost basis except for the revaluation of financial assets held at FVTPL.

2. Significant Accounting Policies (continued)

2.1 Basis of Preparation (continued)

(c) Going concern

Under the UK Code, voluntarily adopted by the Company, and Companies Law, the Directors are required to satisfy themselves that it is reasonable to assume that the Company is a going concern and to identify any material uncertainties in respect of the Company's ability to continue as a going concern for at least 12 months from the date of approving the financial statements.

The Directors have performed a detailed assessment of the Company's ability to meet its liabilities as they fall due for the period of at least twelve months from the date of approving the Audited Financial Statements, including evaluating severe but plausible downside scenarios of a significant reduction in the liquidity, fair value and cash flow generation of its investments. The assessment was completed with reference to the cash position of the Group, the operating expenses and the potential default risk of the investments held.

In light of the analysis, the Directors are satisfied that, at the time of approving the Audited Financial Statements, there is a reasonable expectation that based on the Company's performance and the future prospects of the Company, it will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the Audited Financial Statements and have therefore prepared the Audited Financial Statements on a going concern basis.

(d) Functional and presentation currency

The Company's functional currency is Sterling, which the Directors deem to be the currency of the primary economic environment in which it operates, the currency in which finance is raised, the currency in which distributions are made, the currency in which investment management fees are paid and ultimately the currency that would be returned to Shareholders if the Company was wound up. The Group enters into investment transactions that are denominated in currencies other than the functional currency, primarily in US Dollars and therefore is exposed to currency risk. The Company's performance is evaluated and reported to Shareholders in Sterling and its liquidity is managed in Sterling. Sterling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Audited Financial Statements are presented in Sterling, except where otherwise indicated, and are rounded to the nearest pound.

(e) Standards and amendments to existing standards effective from 1 January 2023

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2023 that have a material effect on the Audited Financial Statements of the Company.

2. Significant accounting policies (continued)

2.1 Basis of Preparation (continued)

(f) Standards, amendments and interpretations issued but not yet effective

Standards that become effective in future accounting periods and have not been early adopted by the Company:

Standard	Effective for annual periods beginning on or after
Amendments to IAS 1 - Non-Current Liabilities with Covenants and Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	1 January 2024

Under the amendments to IAS 1 Presentation of Financial Statements the classification of certain liabilities as current or non-current may change (e.g., convertible debt). In addition, companies may need to provide new disclosures for liabilities subject to covenants. The Directors believe that the application of this amendment will not have an impact on the Company's financial statements.

IFRS 16 Leases ended sale-and-leaseback transactions as an off-balance sheet financing proposition. The deals themselves are often highly structured and can be material, especially for seller-lessees, and accounting for them can be complex. Assessing whether a transaction qualifies for sale-and-leaseback accounting under IFRS 16 is a key judgement. The Directors believe that the application of this amendment will not have an impact on the Company's financial statements.

In response to investors' calls for more transparency of supplier finance arrangements' impacts on the financial statements, IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures was amended. The amendments introduce additional disclosure requirements for companies that enter into these arrangements. The Directors believe that the application of this amendment will not have an impact on the Company's financial statements.

A number of other new standards, amendments to standards and interpretations have been issued, but are not yet effective and have not been early adopted in preparing these Audited Financial Statements. None of these are expected to have a material effect on the Audited Financial Statements of the Company.

2.2 Foreign Currency Translations

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date.

Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Net foreign exchange gain/(loss)'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at FVTPL are presented in the Statement of Comprehensive Income within 'Net unrealised (loss)/gain on financial assets held at FVTPL'.

2. Significant Accounting Policies (continued)

2.3 Accounting for Subsidiaries

In accordance with IFRS 10 as amended, the Board has determined that the Company meets the definition of an investment entity which is exempted from the consolidation of investment entity subsidiaries. EJFIH was established to hold investments for the Company and to maximise the Company's investment returns. It does not represent a separate substantial business activity.

The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- The Company has obtained funds from investors for the purpose of providing investors with investment management services.
- The Company's business purpose, which was communicated directly to investors, is investing funds solely for returns from capital appreciation and investment income.
- The Company measures and evaluates all of its investments on a fair value basis.

The Company obtains funding from a diverse group of external Shareholders, to whom it has committed that its business purpose is to invest funds solely for returns from capital appreciation and investment income.

The Company owns 100% of the equity of the Subsidiary. The Company is exposed to, and has rights to the returns from, the Subsidiary and has the ability, either directly or through the Manager, to affect the amount of its returns from the Subsidiary, representing all the elements of control as prescribed by IFRS 10.

The Subsidiary is used to acquire exposure to a portfolio comprising a number of investments. The fair value method is used to represent the Subsidiary's performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiary's investments and to make investment decisions for mature investments.

Those investments have documented maturity/redemption dates or will be sold if other investments with a better risk/reward profile are identified, which the Manager considers demonstrate a clear exit strategy.

As a result, under the terms of IFRS 10, the Company does not consolidate the Subsidiary, and must measure its investment in the Subsidiary at FVTPL. The Company has determined that the fair value of the Subsidiary is the Subsidiary's NAV and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures (see notes 8 & 13 for further information).

Additionally, the Subsidiary has been deemed to meet the definition of an investment entity per IFRS 10 as the above-mentioned conditions are met.

2.4 Taxation

Under Article 123C of the Jersey Income Tax Law and on the basis that the Company is tax resident in Jersey, the Company is regarded as subject to Jersey income tax at a rate of 0%. The Company is not subject to UK income tax or corporation tax. The Company is deemed to be a non-US corporation for US tax classification status.

2.5 Financial Instruments

(a) Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories:

- those to be measured subsequently at fair value; and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial instruments and the contractual terms of the cash flows.

2. Significant Accounting Policies (continued)

Financial assets held at FVTPL

The Company has been classified as an investment entity and as such, its investment in EJFIH is held at FVTPL and measured in accordance with the requirements of IFRS 9.

Cash and cash equivalents and receivables

(i) Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(ii) Receivables

Receivables, including balance due from the Manager and prepaid expenses, are balances that have been contracted for but not yet delivered on the Statement of Financial Position date. These financial assets are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets.

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial liabilities measured at amortised cost

These include trade payables and other short-term monetary liabilities, which are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue. They are subsequently carried at amortised cost.

ZDP Shares

In accordance with IAS 32, ZDP Shares have been disclosed as a financial liability as the shares are redeemable at a fixed date and holders are entitled to a final capital entitlement on the repayment date. ZDP Shares are measured at amortised cost using the effective interest rate method. Capitalised issue costs are being amortised using the effective interest rate method. Amortisation of the 2025 ZDP Shares issue costs is included in finance costs.

(b) Recognition and initial measurement

Investments made by the Company in EJFIH are recognised on the trade date when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value.

All other financial assets (cash and cash equivalents, balance due from Manager and prepaid expenses) and financial liabilities (accounts payables and accrued expenses) are also recorded on the trade date and recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs.

The Company offsets financial assets and financial liabilities if the Company has a legally enforceable right to offset the recognised amounts and interests and intends to settle on a net basis or realise the asset and liability simultaneously.

(c) Subsequent measurement of Financial Assets

Financial assets at FVTPL ("Investment in EJFIH")

Subsequent to initial recognition, the Investment in EJFIH is measured at each subsequent reporting date at FVTPL. The Company holds all of the shares in EJFIH, which is a holding vehicle used to hold the Company's investments. EJFIH is not traded and contains unobservable inputs and is therefore classified as a Level 3 investment under IFRS 13. The Board considers that the NAV of EJFIH is representative of its fair value. EJFIH itself holds a number of Level 3 investments which are also measured at fair value.

2. Significant Accounting Policies (continued)

2.5 Financial Instruments (continued)

(c) Subsequent measurement of Financial Assets (continued)

Changes in the fair value of financial assets held at FVTPL are recognised in net gain or loss on financial assets held at FVTPL in the Statement of Comprehensive Income as applicable.

Notes 8 and 14 provide an analysis of the financial assets and financial liabilities of EJFIH on a look-through basis that ties to the Company's investment in financial assets at FVTPL.

Derivative financial instruments held by EJFIH

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each financial reporting date. The resulting gain or loss is recognised in EJFIH's Statement of Comprehensive Income immediately. Derivatives are classified as financial assets or financial liabilities at FVTPL, attributable transaction costs are recognised in the Statement of Comprehensive Income when incurred. EJFIH holds derivative financial instruments to minimise its exposure to foreign exchange risks.

The derivative transactions are measured at their fair value at the reporting date.

Cash and cash equivalents and receivables

Subsequent measurement of cash and cash equivalents and receivables depends on the entity's business model for managing the asset and the cash flow characteristics of the asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the Statement of Comprehensive Income.

(d) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its cash and cash equivalents and receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk or indicators of impairment.

For cash and cash equivalents and receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected 12-month losses to be recognised from initial recognition of the receivables, see note 14 for further details.

(e) De-recognition of Financial Assets and Financial Liabilities

A financial asset (in whole or in part) is derecognised either:

- when the Company has transferred substantially all the risks and rewards of ownership; or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the assets or a portion of the asset; or
- when the contractual right to receive cash flow has expired.

A financial liability (in whole or in part) is derecognised when the Company has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on de-recognition is taken to Statement of Comprehensive Income.

2.6 Dividend Income

Dividend income is recognised in the Statement of Comprehensive Income on the date on which the right to receive payment is established. This is usually the date on which the directors of the relevant company approve the payment of a dividend. Dividend income from EJFIH is recognised in the Statement of Comprehensive Income as a separate line item.

2. Significant Accounting Policies (continued)

2.7 Interest Income and Expense

Interest income and expense are recognised as other income in the Statement of Comprehensive Income, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument on initial recognition.

2.8 Dividends Payable

Dividends declared and approved are charged against equity. A corresponding liability is recognised for any unpaid dividends prior to year-end. Dividends approved but not declared will be disclosed in the notes to the Audited Financial Statements.

2.9 Expenses

Fees and other operating expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

2.10 Ordinary Shares

The Ordinary Shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32. The proceeds from the issue of Ordinary Shares are recognised in the Statement of Changes in Equity, net of issue costs.

Where the Company repurchases its own Ordinary Shares (treasury shares), the consideration paid, including any directly attributable costs, is deducted from equity attributable to the Shareholders until the Ordinary Shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable issue costs, is included in equity attributable to the Shareholders.

3. Use of Judgements and Estimates

In the application of the Company's accounting policies, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical judgements and estimations at the Statement of Financial Position date that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the Audited Financial Statements are as set out below:

(a) Significant Judgements

Non-consolidation of EJFIH

The Directors have used their judgement to determine that the Company continues to meet the definition of an investment entity as defined in IFRS 10.

As the Company satisfies the criteria for an investment entity and has the typical characteristics of an investment entity as explained in note 2.3 "Accounting for subsidiaries", the Board considers that the Company is an investment entity. Accordingly, the Company's subsidiary, EJFIH, has not been consolidated but has been fair valued and accounted for at FVTPL.

(b) Significant Estimates

Fair value measurements and valuation processes

The Company's investment in EJFIH has been classified as a Level 3 investment and is measured at fair value for financial reporting purposes. The fair value of EJFIH is measured based on the NAV of EJFIH. The estimate of the NAV of EJFIH relies heavily on the estimate of the fair value of the underlying assets and liabilities. EJFIH uses market-observable data to the extent it is available to value its underlying assets and liabilities. However, certain valuations use unobservable data which involves more estimation uncertainty. The Manager has also appointed a recognised independent valuation agent to provide comfort over the valuations derived from models developed by the Manager where appropriate.

3. Use of Judgements and Estimates (continued)

(b) Significant Estimates (continued)

Fair value measurements and valuation processes (continued)

The Manager works closely with the independent valuation agent to establish the appropriate valuation techniques and inputs to the models. The fair value of assets classified as Level 3 is determined by the use of valuation techniques. The selection of the appropriate valuation technique (including the use of NAV and discounted cash flow analysis) and the selection of unobservable inputs into those valuation techniques requires judgement and estimation (see note 14 for further information).

4. Segmental Reporting

IFRS 8 requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes.

The Board has considered the requirements of IFRS 8 and is of the view that the Company is engaged in a single segment of business via its investment in EJFIH mainly in one geographical area, Jersey, and therefore the Company has only a single operating segment.

5. Dividend Income

The Company received the following dividends from EJFIH:

Date received	1 January 2023 to 31 December 2023	1 January 2022 to 31 December 2022
	£	£
10 February 2022	-	2,100,000
27 April 2022	-	2,400,000
11 August 2022	-	2,000,000
15 November 2022	-	2,000,000
2 February 2023	2,000,000	-
3 May 2023	2,000,000	-
2 August 2023	2,000,000	-
7 November 2023	2,000,000	-
Total dividend income	8,000,000	8,500,000

6. Auditor’s Remuneration

The analysis of the Auditor’s remuneration is as follows:

	1 January 2023 to 31 December 2023	1 January 2022 to 31 December 2022
	£	£
Audit and audit related services		
Annual audit	148,500	137,500
Audit related services - interim review	48,600	45,000
Total audit and audit related fees	197,100	182,500

7. Finance Costs

	1 January 2023 to 31 December 2023	1 January 2022 to 31 December 2022
	£	£
ZDP Shares finance costs and issue costs (see note 10)	1,766,535	1,833,501
Prime broker costs	4,980	3,508
Other interest	(22,032)	(5,773)
Total finance costs	1,749,483	1,831,236

EJF INVESTMENTS LIMITED
NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

8. Financial Assets at FVTPL

Investment in EJFIH

During the year ended 31 December 2023, the Company made a £2,700,000 investment in EJFIH (31 December 2022: £6,500,000 return of capital).

The investment in EJFIH is used to acquire exposure to a portfolio comprising a number of investments. The investment in EJFIH is measured at FVTPL. The Company has determined that the fair value of EJFIH is its NAV.

Below is a summary of the movement in the investment in EJFIH, held by the Company:

	31 December 2023	31 December 2022
	£	£
Opening balance	131,959,641	129,518,023
Additions ¹	2,700,000	-
Return of Capital ²	-	(6,500,000)
Net unrealised (loss)/gain on investment in EJFIH	(12,977,243)	8,941,618
Investment in EJFIH at FVTPL at the end of the year	121,682,398	131,959,641

¹On 6 March 2023, the Company subscribed for a further 2,700,000 ordinary shares in EJFIH at £1 each. This occurred following the issue of 2025 ZDP shares on 27 February 2023.

²The return of capital from EJFIH to the Company was made in November 2022 in order to fully redeem the 2022 ZDP Shares.

On a look-through basis, the following table discloses EJFIH's financial assets at FVTPL, which agrees to the Company's financial assets at FVTPL:

	31 December 2023	31 December 2022
	£	£
EJFIH's investments at FVTPL:		
Armadillo Portfolio	-	1,228,944
Investment in the Partnership	75,112,172	93,786,870
Investment in Seneca	9,470,083	11,177,335
Investment in the CDO Manager	6,045,335	8,052,203
CDO Securities	1,072,326	1,384,667
Preference Shares	1,119,497	1,426,829
European debt securities	821,306	2,552,965
US treasury bills	3,387,864	1,492,698
Investment in US bank debt	4,679,982	-
Net derivative financial assets/(liabilities) (note 14)	822,862	(932,866)
Total of EJFIH's investments at FVTPL	102,531,427	120,169,645
EJFIH's other assets and liabilities:		
Cash	4,309,967	7,143,828
Cash equivalents held in money market fund	12,620,503	-
Cash held as margin	2,070,327	4,383,075
Other receivables	150,174	263,093
EJFIH's NAV at the end of the year	121,682,398	131,959,641

(a) EJFIH's Investments in Private Investment Entities

Investments in the Armadillo Portfolio

EJFIH was invested in partnership interests in the Armadillo Portfolio. The investment strategy of the Armadillo Portfolio was to make high interest rate loans to third-party law firms engaged in mass tort litigation. This investment was fully exited in March 2023.

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8. Financial Assets at FVTPL (continued)

(a) EJFIH's Investments in Private Investment Entities

Investments in the Armadillo Portfolio (continued)

The following table summarises activity for the investment in the Armadillo Portfolio:

	31 December 2023	31 December 2022
	£	£
Opening balance	1,228,944	1,169,018
Distributions	(1,155,905)	-
Realised losses on distributions ¹	(2,121,278)	-
Reversal of unrealised losses ¹	2,048,239	-
Unrealised gains ¹	-	59,926
Investments in the Armadillo Portfolio at FVTPL held by EJFIH	-	1,228,944

¹ Includes fluctuations in foreign exchange rates.

Investment in the Partnership

As at 31 December 2023, EJFIH held 85% or 109,931,798 units (31 December 2022: EJFIH held 85% or 110,179,904 units) issued by the Partnership. The Partnership's purpose is to retain an interest of at least 5% in securitisations sponsored by EJF pursuant to regulatory requirements within the Dodd-Frank reforms in the US and EU risk retention rules.

As at 31 December 2023, the remaining units outstanding are held by the Manager and EJF Investments GP Inc. and respectively totalled 19,400,346 units (31 December 2022: 19,444,129 units) and 165 units (31 December 2022: 165 units).

The following table summarises activity for the investment in the Partnership:

	31 December 2023	31 December 2022
	£	£
Opening balance	93,786,870	88,051,619
Return of Capital	(200,225)	(5,843,994)
Distributions	(3,846,959)	(4,098,273)
Realised gains on distributions ¹	3,860,187	4,101,109
Unrealised (losses)/gains ¹	(18,487,701)	11,576,409
Investment in the Partnership at FVTPL held by EJFIH	75,112,172	93,786,870

¹ Includes fluctuations in foreign exchange rates.

Investment in Seneca

EJFIH's investments in private investment entities includes partnership and loan interests in Seneca. The investment strategy of Seneca is to invest in MSRs.

MSRs represent a stream of servicing income attached to mortgages originated in the US, producing regular and predictable cash-flows. Seneca only invests in MSRs originally attached to prime mortgages underwritten to Fannie Mae and Freddie Mac standards.

The following table summarises activity for the investment in Seneca:

	31 December 2023	31 December 2022
	£	£
Opening balance	11,177,335	6,671,007
Contributions	-	1,947,105
Distributions	(2,515,092)	(2,789,878)
Realised gains on distributions ¹	449,706	595,054
Unrealised gains ¹	358,134	4,754,047
Investment in Seneca at FVTPL held by EJFIH	9,470,083	11,177,335

¹ Includes fluctuations in foreign exchange rates.

8. Financial assets at FVTPL (continued)

(b) EJFIH's Investment in Private Operating Company

Investment in the CDO Manager

The CDO Manager, which is 51% owned by the Manager and 49% owned by EJFIH, provides collateral management services to various CDO structures. The CDO Manager provides such services directly to those CDO structures on commercially reasonable terms. The CDO Manager is also expected to provide collateral management services to future EJF Securitisations as it will have the benefit, for so long as the Manager is the manager of the Company, of a right of first refusal to be appointed as the provider of collateral administration, monitoring and management services in respect of each EJF Securitisation. The CDO Manager may also provide collateral management services to non-EJF securitisations. The CDO Manager is expected to benefit from collateral management fees on all CDOs it services and manages until maturity of such CDOs.

The following table summarises activity for the investment in the CDO Manager:

	31 December 2023	31 December 2022
	£	£
Opening balance	8,052,203	8,711,100
Distributions	(2,005,468)	(655,078)
Unrealised losses ¹	(1,400)	(3,819)
Investment in the CDO Manager at FVTPL held by EJFIH	6,045,335	8,052,203

¹Includes fluctuations in foreign exchange rates.

EJFIH through its 49% interest in the CDO Manager, has an exposure to the cash flows of four REIT TruPS CDO collateral management contracts plus cash flow from TFINS 2017-2, TFINS 2018-1, TFINS 2018-2, TFINS 2019-1, TFINS 2019-2, TFINS 2020-1 and TFINS 2020-2. The CDO Manager has a total NAV of £12,337,418 as at 31 December 2023 (31 December 2022: £16,433,067).

The management fees of each REIT TruPS CDO collateral management contract vary, ranging from 15bps to 30bps of the outstanding collateral balance. The TFINS 2017-2 securitisation produces management fees of 10bps on outstanding collateral. The TFINS 2018-1, TFINS 2018-2, TFINS 2019-1 and TFINS 2019-2 securitisations produce management fees of 20bps on outstanding collateral. TFINS 2020-1 and TFINS 2020-2 securitisations produce management fees of 30bps on outstanding collateral.

(c) EJFIH's Investments in Trading Securities

CDO securities

EJFIH's CDO Securities portfolio consists of REIT TruPS CDO Securities issued prior to the financial crisis by an unaffiliated third-party sponsor. The remaining CDO security is generating current income. The bond holdings range from senior class A bonds to subordinated class F bonds. For the year ended 31 December 2023, EJFIH accrued £178,357 (31 December 2022: EJFIH accrued £147,136) of interest income presented as investment income in EJFIH.

The following table summarises activity for the investment in CDO Securities:

	31 December 2023	31 December 2022
	£	£
Opening balance	1,384,667	1,395,298
Unrealised losses from CDO Securities ¹	(312,341)	(10,631)
CDO Securities at FVTPL held by EJFIH	1,072,326	1,384,667

¹Includes fluctuations in foreign exchange rates.

Preference Shares

EJFIH owns an interest in a depositor vehicle which holds an interest in the TFINS 2017-2 Preference Shares originally issued as part of the securitisation in October 2017.

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8. Financial assets at FVTPL (continued)

(c) EJFIH's Investments in Trading Securities (continued)

Preference Shares (continued)

The following table summarises activity for the investment in Preference Shares:

	31 December 2023	31 December 2022
	£	£
Opening balance	1,426,829	1,246,613
Unrealised (losses)/gains from Preference Shares ¹	(307,332)	180,216
Preference Shares at FVTPL held by EJFIH	1,119,497	1,426,829

¹ Includes fluctuations in foreign exchange rates.

European Debt securities

As at 31 December 2023, the Company, through its investment in EJFIH, was invested in a European debt security. This security is denominated in USD and has a current coupon of 13.25%.

The following table summarises activity for the investment in European debt securities:

	31 December 2023	31 December 2022
	£	£
Opening balance	2,552,965	2,830,682
Additions	-	3,634,519
Disposals	(1,567,773)	(2,542,281)
Realised (losses) gains on disposal ¹	(1,803,625)	46,037
Unrealised gains/(losses) ¹	1,639,739	(1,415,992)
European debt securities at FVTPL held by EJFIH	821,306	2,552,965

¹ Includes fluctuations in foreign exchange rates.

US treasury bills

As at 31 December 2023, the Company, through its investment in EJFIH, was invested in US treasury bills. The securities have fixed coupons between 2.75% and 4.25% and are due to mature between 2024 and 2032.

The following table summarises activity for the investment in US treasury bills:

	31 December 2023	31 December 2022
	£	£
Opening balance	1,492,698	-
Additions	2,064,668	1,616,533
Unrealised losses ¹	(169,502)	(123,835)
US treasury bills at FVTPL held by EJFIH	3,387,864	1,492,698

¹ Includes fluctuations in foreign exchange rates.

Investment in US bank debt

As at 31 December 2023, the Company, through its investment in EJFIH, was invested in US bank debt. The securities have fixed coupons between 5.875% and 6.26% and are due to mature in 2027 and 2030.

The following table summarises activity for the investment in US Bank Debt:

	31 December 2023
	£
Opening balance	-
Additions	4,664,560
Unrealised gains ¹	15,422
Investment in US bank debt at FVTPL held by EJFIH	4,679,982

¹ Includes fluctuations in foreign exchange rates.

There were no investments held in US bank debt as at 31 December 2022.

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9. Accounts Payables and Accrued Expenses

	31 December 2023	31 December 2022
	£	£
Amount due to EJFIH	163	3,690
Management fee	208,423	239,750
Legal and professional fees	108,375	64,500
Audit fees	148,500	137,500
Sundry creditors	48,250	58,627
Total accounts payables and accrued expenses	513,711	504,067

The amount due to EJFIH is interest free and repayable on demand. The balance consists of amounts paid by EJFIH in respect of the Company's expenses.

10. ZDP Shares

On 1 December 2017, the Company issued 15,000,000 2022 ZDP Shares at a gross redemption yield of 5.75%.

On 17 June 2020, the Company issued 6,000,000 2025 ZDP Shares at a gross redemption yield of 7.00%. The 2025 ZDP Shares were issued pursuant to the initial placing and offer for subscription at a price per 2025 ZDP Share of 100 pence. The holders of the 2025 ZDP Shares will have a final capital entitlement of 140 pence on the repayment date of 18 June 2025.

On 4 April 2022, the Company published the Prospectus containing details of the Rollover Offer.

On 5 May 2022, 10,021,292 2022 ZDP Shares were rolled into new 2025 ZDP Shares, representing approximately 66.8% of the total number of 2022 ZDP Shares in issue. Each rolled 2022 ZDP Share converted into 1.09735 new 2025 ZDP Shares and 10,996,857 new 2025 ZDP Shares were issued. The holders of the 2022 ZDP Shares who elected to be repaid received a final capital entitlement of 132.25 pence on the repayment date of 30 November 2022. As at 31 December 2022, there were no 2022 ZDP Shares outstanding.

On 27 February 2023, 2,277,046 2025 ZDP Shares were issued at a ZDP Placing Price of 119.78 pence per share, raising gross proceeds of approximately £2.73 million.

As at 31 December 2023, there were 19,273,903 (31 December 2022: 16,996,857) 2025 ZDP Shares outstanding.

Holders of ZDP Shares are not entitled to any dividends paid by the Company. The following table reconciles the liability for ZDP Shares, held at amortised cost, for the reporting period.

	2022 ZDP Shares 31 December 2023	2025 ZDP Shares 31 December 2023	2022 ZDP Shares 31 December 2022	2025 ZDP Shares 31 December 2022
	£	£	£	£
Opening balance	-	19,666,072	18,725,704	6,484,818
Conversion of ZDP Shares	-	-	(12,845,292)	12,845,292
ZDP Shares Issue	-	2,727,446	-	-
ZDP Shares issuance costs	-	(84,006)	-	(793,610)
Amortisation of ZDP Shares, including finance costs and issuance costs	-	1,766,535	703,929	1,129,572
Redemption of ZDP Shares	-	-	(6,584,341)	-
ZDP Shares closing balance	-	24,076,047	-	19,666,072

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11. Stated Capital

Net assets attributable to Shareholders is represented by Ordinary Shares that carry one vote each and have equal voting rights. Ordinary Shares are entitled to dividends when declared. The Company has no restrictions or specific capital requirements on the issue and repurchase of Ordinary Shares.

The analysis of movements in the number of Ordinary Shares and the corresponding changes to the Company's stated capital as a result of transactions with Shareholders during the year were as follows:

Ordinary Shares issued and fully paid	Number of Ordinary Shares	Stated Capital £
Opening balance as at 1 January 2023 and 2022	61,145,198	85,254,127
Closing balance as at 31 December 2023 and 2022	61,145,198	85,254,127

As at 31 December 2023, the Company had 15,808,509 treasury shares (31 December 2022: 15,808,509).

12. Dividends Paid

The Company paid the following dividends on its Ordinary Shares during the year ended 31 December 2023:

Period to	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend paid £
31 Dec 2022	26 Jan 2023	2 Feb 2023	6 Feb 2023	28 Feb 2023	0.02675	1,635,634
31 Mar 2023	26 Apr 2023	4 May 2023	9 May 2023	31 May 2023	0.02675	1,635,634
30 June 2023	27 Jul 2023	3 Aug 2023	7 Aug 2023	31 Aug 2023	0.02675	1,635,634
30 Sep 2023	25 Oct 2023	2 Nov 2023	6 Nov 2023	30 Nov 2023	0.02675	1,635,634
						6,542,536

The Company paid the following dividends on its Ordinary Shares during the year ended 31 December 2022:

Period to	Declared date	Ex-dividend date	Record date	Payment date	Dividend rate per Ordinary Share £	Net dividend paid £
31 Dec 2021	27 Jan 2022	3 Feb 2022	4 Feb 2022	28 Feb 2022	0.02675	1,635,634
31 Mar 2022	26 Apr 2022	5 May 2022	6 May 2022	31 May 2022	0.02675	1,635,634
30 June 2022	28 Jul 2022	4 Aug 2022	5 Aug 2022	31 Aug 2022	0.02675	1,635,634
30 Sep 2022	27 Oct 2022	3 Nov 2022	4 Nov 2022	30 Nov 2022	0.02675	1,635,634
						6,542,536

13. Interest in Unconsolidated Subsidiaries and Associates

For the years ended 31 December 2023 and 31 December 2022, the table below discloses the unconsolidated subsidiaries and associates in which the Company holds an interest, but does not consolidate in accordance with IFRS 12:

Name of entity	Type of entity	Principal place of business	Purpose	Interest held by the Company	Interest held
EJFIH	Private Company	Jersey	To hold a portfolio of investments in order to generate capital appreciation and investment income.	100%	Direct
Partnership	Limited Partnership	Delaware	To hold CDO Equity Tranches in order to generate capital appreciation and investment income.	85%	Indirect
CDO Manager	Limited Liability Company	Delaware	To generate management fee income.	49%	Indirect
Armadillo I	Limited Partnership	Delaware	To generate income from high-yielding loans to US law firms engaged in mass tort litigation.	Nil ¹ (31 December 2022: 53.4%)	Indirect
Seneca	Limited Partnerships	Delaware	To generate income from MSRs.	100%	Indirect

¹This investment was fully exited in March 2023.

14. Financial Risk Management

The Board has overall responsibility for the oversight of the Company's risk management framework. The Company's risk management policies are established by the Manager to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly by the Manager to reflect changes in market conditions and the Company's activities. This note presents information about the Company's exposure to each of the financial risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company is exposed to a number of risks through its investment in EJFIH. The risks set out below relate to those risks faced by the Company through its underlying investments.

(a) Market Risk

Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates, other price risk and credit spreads will affect the Company's income and/or the value of its holding in EJFIH. The changes in credit spreads affect EJFIH's net equity or net income, and hence the value of the Company's investment in EJFIH.

The Company's exposure to market risk comes mainly from movements in the value of its investment in EJFIH and on a look-through basis to the underlying investments in its portfolio.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The Company's strategy for the management of market risk is driven by the Company's investment objective. The Company seeks to generate attractive risk-adjusted returns for its Shareholders, by investing in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities are anticipated to include structured debt and equity, loans, bonds, preference shares, convertible notes and private equity, in both cash and synthetic formats, and may be issued by entities domiciled in the US, UK and Europe. The various components of the Company's market risk are managed on an ongoing basis by the Manager in accordance with policies and procedures in place, as detailed below.

In addition, the Company, through EJFIH, intends to mitigate market risk generally by not making investments that would cause it to have exposure to any one individual asset exceeding:

14. Financial Risk Management (continued)

(a) Market Risk (continued)

- 20% of the Company's gross assets invested in any single capital solutions, ABS investment or Specialty Finance Investment at the time of investment; and
- 25% of the Company's gross assets in any single non-EJF sponsored Risk Retention Investment.

The Company's position exposure is monitored on an ongoing basis by the Manager and reviewed on a quarterly basis by the Board and the Administrator.

Interest rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest-bearing financial assets and liabilities expose the Company to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Group is exposed to the risk that the fair value of their investments or future cash flows of the financial instruments will fluctuate as a result of changes in market interest rates. The Group is also exposed to interest rate risk in respect of their cash and cash equivalents.

The Manager assesses interest rate risk on an ongoing basis and may, if deemed necessary, choose to utilise appropriate strategies to manage interest rate risk using, for example, interest rate swaps.

Sensitivity Analysis

The weighted average effective duration of the interest-bearing investments has been used to identify the potential NAV impact of a 0.25% parallel shift in the relevant reference rate curve.

The percentage has been determined as reasonably possible by the Directors based on potential volatility due to changes in interest reference rates.

	31 December 2023	
	Change in fair value	
Change in rate	0.25%	(0.25)%
NAV	£(387,810)	£387,810

	31 December 2022	
	Change in fair value	
Change in rate	0.25%	(0.25)%
NAV	£(348,165)	£348,165

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is directly exposed to currency risk in respect of its cash and cash equivalents and derivatives denominated in currencies other than Sterling, and its investments.

The Group enters into transactions that are denominated in currencies other than their functional currency, primarily in US Dollar. Consequently, the Group is exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of financial assets or financial liabilities denominated in currencies other than Sterling.

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14. Financial Risk Management (continued)
(a) Market Risk (continued)

Currency Risk (continued)

The Manager monitors the exposure to foreign currencies and reports to the Board monthly. The Manager measures the risk of the foreign currency exposure by considering the effect on the NAV and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed.

There were no forward foreign exchange derivatives held by the Company during the years ended 31 December 2023 and 31 December 2022.

As at 31 December 2023 and 31 December 2022, the following forward foreign exchange contracts were held by EJFIH and are included within the financial liabilities of EJFIH:

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2023 £
6 February 2024	Citibank N.A.	29,150,847	GBP	USD	257,382
7 February 2024	Citibank N.A.	9,268,068	GBP	USD	81,874
13 February 2024	Citibank N.A.	29,376,078	GBP	USD	483,606
Derivative financial assets held by EJFIH					822,862

Maturity date	Counterparty	Contract amount (GBP)	Buy	Sell	31 December 2022 £
21 February 2023	Citibank N.A.	8,400,000	GBP	USD	(1,272,206)
16 March 2023	Citibank N.A.	30,562,246	GBP	USD	172,837
23 March 2023	Citibank N.A.	30,554,633	GBP	USD	166,503
Derivative financial liabilities held by EJFIH					(932,866)

The carrying amount of the Group's financial assets in individual foreign currencies as well as the amount of the foreign exchange contracts, expressed in Sterling and as a percentage of its net assets, was as follows:

31 December 2023		£	% of net assets
Currency			
US Dollar – financial assets		119,427,055	122%
US Dollar – foreign exchange contracts		(67,794,993)	(69)%
Euro		218,879	0%
31 December 2022			
Currency		£	% of net assets
US Dollar – financial assets		129,403,727	115%
US Dollar – foreign exchange contracts		(69,516,879)	(62)%
Euro		3,207,360	3%

Sensitivity analysis

The table below sets out the effect on the net assets/increase in net assets attributable to holders of tradable Ordinary Shares of a reasonably possible weakening of Sterling against the US Dollar by 10% as at 31 December 2023 (31 December 2022: 10%). 10% is considered to continue to be deemed reasonable as it reflects past experience.

The analysis includes the impact of foreign exchange contracts held by the Group but assumes that all other variables, in particular interest rates, remain constant.

	31 December 2023	31 December 2022
Effect in Sterling	£5,736,896	£6,654,094 ¹
Effect as % of net assets attributable to the holders of tradable Ordinary Shares	6%	6% ¹

¹ In the financial statements for the year ended 31 December 2022, the analysis did not include the impact of foreign exchange contracts held by the Group. The analysis as at 31 December 2022 has been re-presented to deduct the foreign exchange contracts held by the Group as at 31 December 2022 in line with 31 December 2023 presentation.

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14. Financial Risk Management (continued)

(a) Market Risk (continued)

Currency Risk (continued)

The table below sets out the effect on the net assets/decrease in net assets attributable to holders of tradable Ordinary Shares of a reasonably possible strengthening of Sterling against the US Dollar by 10% as at 31 December 2023 (10% as at 31 December 2022).

	31 December 2023	31 December 2022
Effect in Sterling	£(4,693,824)	£(5,444,259) ¹
Effect as % of net assets attributable to the holders of tradable Ordinary Shares	(5)%	(5)% ¹

¹ In the financial statements for the year ended 31 December 2022, the analysis did not include the impact of foreign exchange contracts held by the Group. The analysis as at 31 December 2022 has been re-presented to deduct the foreign exchange contracts held by the Group as at 31 December 2022 in line with 31 December 2023 presentation.

No sensitivity analysis has been performed for financial assets denominated in Euro as the balance is not significant.

Other Price Risk

Other price risk is the risk that the fair value of the investment in EJFIH will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

Price risk is managed by the Manager by diversifying the portfolio geographically across the US, the UK and Europe, through holding diversified collateral in the underlying securitisations. Also, if the price risk is not in accordance with the Investment Policy or guidelines of the Company, then the Manager is required to rebalance the portfolio prior to the end of the reporting period following each determination of such occurrence.

Exposure

The following table sets out the concentration of the portfolio profile which shows the total exposure to market risk, held by the Group at the reporting date.

	31 December 2023		31 December 2022	
	£	%	£	%
Armadillo Portfolio	-	-	1,228,944	1
Investment in the Partnership ¹	75,112,172	60	93,786,870	71
Investment in Seneca	9,470,083	8	11,177,335	9
Investment in CDO Manager	6,045,335	5	8,052,203	6
CDO Securities	1,072,326	1	1,384,667	1
Preference Shares	1,119,497	1	1,426,829	1
European debt securities	821,306	1	2,552,965	2
US treasury bills	3,387,864	3	1,492,698	1
Investment in US bank debt	4,679,982	4	-	-
Net derivative financial assets/(liabilities) (note14)	822,862	1	(932,866)	(1)
Financial assets and liabilities at FVTPL	102,531,427	84	120,169,645	91
Cash	4,309,967	4	7,143,828	6
Cash equivalents held in money market fund	12,620,503	10	-	-
Cash held as margin	2,070,327	2	4,383,075	3
Other receivables	150,174	-	263,093	-
Investment in EJFIH	121,682,398	100	131,959,641	100

¹ See table below.

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14. Financial Risk Management (continued)

(a) Market Risk (continued)

The Partnership includes the following underlying CDO Equity Tranche positions:

	31 December 2023	31 December 2022
	£	£
TFINS 2017-2	11,617,312	14,456,262
TFINS 2018-1	16,166,915	22,066,685
TFINS 2018-2	12,559,893	16,244,931
TFINS 2019-1	11,759,665	14,799,555
TFINS 2019-2	12,158,039	15,332,045
TFINS 2020-1	12,424,397	13,779,690
TFINS 2020-2	7,453,122	8,607,907
Investments held by the Partnership	84,139,343	105,287,075
Other net assets	4,227,918	5,050,419
NAV of the Partnership	88,367,261	110,337,494

The fair value of EJFIH's investment in the Partnership and percentage of the Company's NAV is detailed below:

31 December 2023		31 December 2022	
Fair value	% of NAV	Fair value	% of NAV
£75,112,172¹	77	£93,786,870	83

¹ As at 31 December 2023, EJFIH held 85% (31 December 2022: 85%) of the units issued by the Partnership and the fair value of EJFIH's investment in the Partnership is calculated as 85% of the NAV of the Partnership.

Fair Value of Financial Instruments

The Company holds all of the shares in EJFIH, a holding vehicle used to hold the Company's investments. The Board believes it is appropriate to value this entity based on the fair value of its portfolio of investment assets held plus its other assets and liabilities.

Valuation Models

IFRS 13 requires disclosure of fair value measurement by level. The level of financial assets or financial liabilities within the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

Level 1 Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company's investment in EJFIH, through the acquisition of shares, is classified within Level 3, as it is not traded and contains unobservable inputs. The Board considers that the NAV of EJFIH is representative of its fair value.

14. Financial Risk Management (continued)

(a) Market Risk (continued)

The investments held by EJFIH in the underlying portfolio are measured as below:

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Company uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses proprietary valuation models, which are developed from discounted cash flow models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believe that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

The Manager has also appointed a recognised independent valuation agent to provide comfort over the valuations derived from models developed by the Manager where appropriate.

Valuation Approach for specific Instruments

Foreign currency forward contracts

The fair value of the foreign currency forward contracts is determined using quoted mid forward exchange rates at the reporting date.

14. Financial Risk Management (continued)

(a) Market Risk (continued)

Valuation Approach for specific Instruments held through the Group

Investments in private investment entities and private operating companies

The fair value of investments in the private investment entities and private operating company is determined using the NAV of the entity (Level 3 valuation). The NAV is used when the units or partnership interests in a fund are redeemable at the reportable NAV at, or approximately at, the measurement date. If this is not the case, then NAV is used as a valuation input and an adjustment is applied for lack of marketability/restricted redemptions. This adjustment is based on management judgement after considering the period of restrictions and the nature of the underlying investments. No such adjustment was deemed necessary for the years ended 31 December 2023 and 31 December 2022.

Investments trading securities

As at 31 December 2023 and 31 December 2022, the investment portfolio included bonds issued by Kodiak, Attentus and Taberna, which are unaffiliated third-party CDO sponsors. These distressed bonds are valued at their clean prices (including any expected interest accruals).

The fair value of distressed bonds is determined by the Manager using acceptable probability based discounted cash flow methodologies.

Valuation Framework

The Company has an established control framework with respect to the measurement of fair values. This framework includes the Manager's valuation committee, which operates independently of the Manager's investment team, and feeds into the monthly NAV process for review by the Board and has overall responsibility for fair value measurements. Specific controls include:

- verification of observable pricing inputs;
- re-performance of model valuations;
- a review and approval process for new models and changes to such models;
- analysis and investigation of significant valuation movements; and
- review of unobservable inputs and valuation adjustments.

When third party information, such as broker quotes or pricing services, is used to measure fair value, the portfolio valuation function assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. This includes:

- verifying that the broker or pricing service is approved by the Manager for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- when prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then understanding how fair value has been determined using those quotes.

For underlying instruments not traded in an active market and defined as Level 3 investments, the fair value is determined by using appropriate valuation techniques. Management also makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets are outlined below.

Fair Value Hierarchy—Financial Assets at FVTPL held by the Company

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and CDO Securities. As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

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14. Financial Risk Management (continued)

(a) Market Risk (continued)

Fair Value Hierarchy—Financial Assets at FVTPL held by the Company (continued)

The Company's investment in EJFIH is classified within Level 3, as it is not traded and contains unobservable inputs. The Board considers that the NAV of EJFIH is representative of its fair value.

The table below analyses financial instruments, held by the Company, measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position as at 31 December 2023 and 31 December 2022. All fair value measurements below are recurring.

As at 31 December 2023	Level 1	Level 2	Level 3
	£	£	£
Investment held in EJFIH	-	-	121,682,398
Financial assets at FVTPL	-	-	121,682,398

As at 31 December 2022	Level 1	Level 2	Level 3
	£	£	£
Investment held in EJFIH	-	-	131,959,641
Financial assets at FVTPL	-	-	131,959,641

The following table shows the movement of level 3 assets during the years ended 31 December 2023 and 31 December 2022:

	Opening fair value	Additions	Realised gains	Unrealised losses	Return of capital	Ending fair value
	1 January 2023					31 December 2023
	£	£	£	£	£	£
EJFIH	131,959,641	2,700,000	-	(12,977,243)	-	121,682,398
Total financial assets	131,959,641	2,700,000	-	(12,977,243)	-	121,682,398

	Opening fair value	Additions	Realised gains	Unrealised gains	Return of capital	Ending fair value
	1 January 2022					31 December 2022
	£	£	£	£	£	£
EJFIH	129,518,023	-	-	8,941,618	(6,500,000)	131,959,641
Total financial assets	129,518,023	-	-	8,941,618	(6,500,000)	131,959,641

Fair Value Hierarchy—Financial Assets at FVTPL held by EJFIH

The tables below are supplemental disclosures of the financial instruments, held by EJFIH, measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Statement of Financial Position as at 31 December 2023 and 31 December 2022. All fair value measurements below are recurring.

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14. Financial risk management (continued)

(a) Market risk (continued)

Fair value hierarchy—Financial Assets at FVTPL held by EJFIH (continued)

As at 31 December 2023	Level 1	Level 2	Level 3
	£	£	£
Investment in the Partnership	-	-	75,112,172
Investment in Seneca	-	-	9,470,083
Investment in the CDO Manager	-	-	6,045,335
CDO securities	-	-	1,072,326
Investment in Preference Shares	-	-	1,119,497
European debt securities	-	821,306	-
US treasury bills	3,387,864	-	-
Investment in US bank debt	-	4,679,982	-
Derivative financial assets	-	822,862	-
Financial assets at FVTPL	3,387,864	6,324,150	92,819,413

During the year ended 31 December 2023, there were no reclassifications between levels of the fair value hierarchy.

As at 31 December 2022	Level 1	Level 2	Level 3
	£	£	£
Armadillo Portfolio	-	-	1,228,944
Investment in the Partnership	-	-	93,786,870
Investment in Seneca	-	-	11,177,335
Investment in the CDO Manager	-	-	8,052,203
CDO securities	-	-	1,384,667
Investment in Preference Shares	-	-	1,426,829
European debt securities	-	2,552,965	-
US treasury bills	1,492,698	-	-
Financial assets at FVTPL	1,492,698	2,552,965	117,056,848

	Level 1	Level 2	Level 3
	£	£	£
Derivative financial liabilities	-	(932,866)	-
Financial liabilities at FVTPL	-	(932,866)	-

During the year ended 31 December 2022, there were no reclassifications between levels of the fair value hierarchy.

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14. Financial Risk Management (continued)

(a) Market Risk (continued)

Level 3 Reconciliation

The following table show a reconciliation of all movements in the fair value of financial assets held at FVTPL by EJFIH and categorised within level 3 for the year ended 31 December 2023:

	Opening fair value as at 1 January 2023 £	Additions £	Realised gains/ (losses) £	Unrealised gains/ (losses) £	Disposals and distributions £	Ending fair value as at 31 December 2023 £
Armadillo Portfolio	1,228,944	-	(2,121,278)	2,048,239	(1,155,905)	-
Investments in the Partnership	93,786,870	-	3,860,187	(18,487,701)	(4,047,184)	75,112,172
Investment in Seneca	11,177,335	-	449,706	358,134	(2,515,092)	9,470,083
Investment in CDO Manager	8,052,203	-	-	(1,400)	(2,005,468)	6,045,335
CDO securities	1,384,667	-	-	(312,341)	-	1,072,326
Investment in Preference Shares	1,426,829	-	-	(307,332)	-	1,119,497
Total financial assets	117,056,848	-	2,188,615	(16,702,401)	(9,723,649)	92,819,413

The following table is for the year ended 31 December 2022:

	Opening fair value as at 1 January 2022 £	Additions £	Realised gains £	Unrealised gains/ (losses) £	Disposals and distributions £	Ending fair value as at 31 December 2022 £
Armadillo Portfolio	1,169,018	-	-	59,926	-	1,228,944
Investments in the Partnership	88,051,619	-	4,101,109	11,576,409	(9,942,267)	93,786,870
Investment in Seneca	6,671,007	1,947,105	595,054	4,754,047	(2,789,878)	11,177,335
Investment in CDO Manager	8,711,100	-	-	(3,819)	(655,078)	8,052,203
CDO securities	1,395,298	-	-	(10,631)	-	1,384,667
Investment in Preference Shares	1,246,613	-	-	180,216	-	1,426,829
Total financial assets	107,244,655	1,947,105	4,696,163	16,556,148	(13,387,223)	117,056,848

14. Financial Risk Management (continued)

(a) Market Risk (continued)

Significant unobservable inputs used in measuring fair value held by the Company – Level 3

The following table shows the sensitivity of fair values in Level 3 to the NAV of the investment in EJFIH.

Financial assets	Company fair value as at 31 December 2023 £	Company fair value as at 31 December 2022 £	Valuation techniques and inputs	Significant unobservable inputs
Investment in EJFIH	121,682,398	131,959,641	NAV of EJFIH	The NAV of EJFIH is calculated under IFRS

Sensitivity analysis for significant changes for unobservable inputs within Level 3 hierarchy

There are a number of unobservable inputs and assumptions used in the valuation of the EJFIH investments. Changes in any of these inputs and assumptions will have an impact on the valuation of these investments. The table below assumes the overall valuation changed by 10% and that the portfolio of investments is correlated to this overall movement in valuations. The overall impact of 10% has been selected as this is considered reasonable given the current level of volatility observed both on a historical basis and market expectations for future movements.

Financial assets	31 December 2023 £	31 December 2022 £
Investment in EJFIH	121,682,398	131,959,641
Increase by 10%	133,850,638	145,155,605
Decrease by 10%	109,514,158	118,763,677

However, this level of correlation is not possible. Certain underlying investments in EJFIH will be sensitive to lesser/greater changes as well as certain inputs and assumptions will be sensitive at lesser/greater degree. The table below shows a further sensitivity of the Investment in EJFIH on the basis of:

- Investment in CDO Manager: 10% movement in discount rate, being one of the key inputs used in valuation of CDO Management contracts held by the CDO Manager;
- Investment in Partnership, Preference Shares, European debt securities, US treasury bills, Investment in US bank debt and CDO Securities: 10% movement in clean broker quotes of instruments held via the Partnership as well as directly by EJFIH;
- Investment in Seneca: 10% movement in overall valuation; and
- the value of all other assets and liabilities (which are not level 3 and therefore not valued by reference to unobservable inputs and assumptions) held by EJFIH, the Partnership and CDO Manager remaining constant.

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14. Financial Risk Management (continued)

(a) Market Risk (continued)

31 December 2023	£	Increase by 10%	Decrease by 10%
	£	£	£
Investment in the Partnership	75,112,172	82,264,016	67,960,328
Investment in Seneca	9,470,083	10,417,091	8,523,075
Investment in CDO Manager	6,045,335	6,263,396	5,837,500
CDO securities	1,072,326	1,179,559	965,093
Preference Shares	1,119,497	1,231,447	1,007,547
European debt securities	821,306	903,437	739,175
US treasury bills	3,387,864	3,726,650	3,049,078
Investment in US bank debt	4,679,982	5,147,980	4,211,984
Derivative financial assets (note14)	822,862	822,862	822,862
Investments at FVTPL in EJFIH	102,531,427	111,956,438	93,116,642
Cash	4,309,967	4,309,967	4,309,967
Cash equivalents held in money market fund	12,620,503	12,620,503	12,620,503
Cash equivalents held as margin	2,070,327	2,070,327	2,070,327
Other receivables	150,174	150,174	150,174
Investment in EJFIH	121,682,398	131,107,409	112,267,613

Significant unobservable inputs used in measuring fair value held by EJFIH – Level 3

The estimated fair values of EJFIH's investment in the CDO Manager was determined through the employment of discounted cash flow and methodology and the use of unobservable inputs as at 31 December 2023 and 31 December 2022.

Projected cash flows were calculated using a third-party provider of cash flow information for structured securities for each CDO contract. Key assumptions included: prepayment assumptions, default rates and loss severity, recovery lags, and the discount rate. These inputs were based on internal assumptions and market participant benchmarks for comparable bonds. An independent valuation agent was used to provide a final valuation report for CDO Manager.

EJFIH's remaining Level 3 investments have been valued using broker quotes or the EJFIH's proportionate share of the NAV of the entity.

(b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group or a vehicle in which the Group invests, resulting in a financial loss to the Company. It arises principally from debt securities, derivative financial assets and cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

Credit risk is monitored on an ongoing basis by the Manager in accordance with the policies and procedures in place. The Manager monitors the Group's cash activity, concentrations of deposits with counterparties and the creditworthiness of said counterparties and obtained periodic collateral assessments from an affiliate managing Armadillo Portfolio's loan portfolio up to March 2023. The Company's credit risk is monitored on a quarterly basis by the Board. If the credit risk is not in accordance with the Investment Policy or guidelines of the Company, then the Manager is obliged to address the impact and to liquidate holdings within a reasonable amount of time, however as EJFIH's portfolio assets are generally illiquid in nature more time may be required to address the impact the credit risk has on any such illiquid assets.

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14. Financial Risk Management (continued)

(b) Credit Risk (continued)

EJFIH's activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Manager mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes described below.

In the opinion of the Board, the carrying amount of financial assets best represent the maximum credit risk exposure to the Company. The Company's financial assets exposure to credit risk amounted to the following:

	31 December 2023	31 December 2022
	£	£
Armadillo Portfolio	-	1,228,944
Investment in the Partnership	75,112,172	93,786,870
Investment in Seneca	9,470,083	11,177,335
Investment in CDO Manager	6,045,335	8,052,203
CDO securities	1,072,326	1,384,667
Preference Shares	1,119,497	1,426,829
European debt securities	821,306	2,552,965
US treasury bills	3,387,864	1,492,698
Investment in US bank debt	4,679,982	-
Derivative financial assets/(liabilities) (note14)	822,862	(932,866)
Cash	4,309,967	7,143,828
Cash equivalents held in money market fund	12,620,503	-
Cash held as margin	2,070,327	4,383,075
Investment in EJFIH	121,532,224	131,696,548
Cash	660,830	359,298
Balance due from the Manager	196,733	348,345
Total financial assets	122,389,787	132,404,191

Cash and Cash Equivalents

The Group's cash is held with BNPP and Citibank N.A., and cash equivalents are held in a money market fund with Western Asset Institutional US Treasury Reserves Ltd. The Manager monitors the financial position and creditworthiness of all the Group's financial institutions on a quarterly basis.

Balances due from Brokers

Balances due from brokers represent margin accounts, cash collateral for currency contracts and transactions awaiting settlement. Credit risk relating to unsettled transactions is considered low due to the short settlement period involved and the high credit quality of the brokers used. As at the reporting dates, the balance due from brokers was held by Citibank N.A. The Manager monitors the financial position and creditworthiness of the Group's brokers on a quarterly basis.

The following table shows the external ratings of the financial institutions holding cash or collateral deposits on behalf of the Group, using available ratings from Moody's.

Institution	Rating Agency	31 December 2023	31 December 2022
Citibank N.A.	Moody's	Aa3	Aa3
BNPP	Moody's	Aa3	Aa3
Western Asset Institutional US Treasury Reserves Ltd	Moody's	Aaa	n/a

14. Financial Risk Management (continued)

(b) Credit Risk (continued)

Balance due from the Manager

The balance due from the Manager relates to the arrangement with the Manager to absorb ongoing operating expenses incurred by the Company, excluding management fees, incentive fees and expenses considered not ongoing. The Company applies the simplified approach permitted by IFRS 9, which requires expected 12-month losses to be recognised from initial recognition. The balance due from the Manager is considered to be low credit risk. Accordingly, no impairment losses have been recognised in the Statement of Comprehensive Income.

Investment in the Partnership

As at 31 December 2023, the Company, through its investment in EJFIH, held an interest in the Partnership. Through CDO Equity Tranches, the Partnership is exposed to the credit risk of its counterparties or the counterparties of the securitisations in which it invests. In the event of a bankruptcy or insolvency of such a counterparty, the securitisation in which such an investment is held could suffer significant losses, including the loss of that part of EJFIH's or the securitisation's portfolio financed through such a transaction, declines in the value of their investment, including declines that may occur during an applicable stay period, the inability to realise any gains on their investment during such period and fees and expenses incurred in enforcing their rights. This would also affect the Company's investment in EJFIH as it is exposed to any fair value movements in EJFIH.

The securitisations in which the Partnership has invested are not rated (31 December 2022: not rated).

Investment in Seneca

As at 31 December 2023, the Company, through its investment in EJFIH, was invested in partnership and loan interests in Seneca. The investment strategy of Seneca is to invest in MSRs. MSRs represent a stream of servicing income attached to mortgages originated in the US producing regular and predictable cash-flows. Seneca only invests in MSRs originally attached to prime mortgages underwritten to Fannie Mae and Freddie Mac standards. There is little to no credit risk associated with MSRs and the main risk is prepayment of the underlying mortgage, and thus extinguishment of the associated MSR contract and servicing fee stream.

The Seneca positions in which the Company has invested are not rated (31 December 2022: not rated).

Preference Shares

The Company, through its investment in EJFIH, is exposed to the credit risk of its counterparties or the counterparties of the securitisation preference shares in which it invests. In the event of a bankruptcy or insolvency of such a counterparty, the preference shares could suffer significant losses resulting in declines in the value of the shares, including the inability to realise any gains on their investment during such period and fees and expenses incurred in enforcing their rights. This would also affect the Company's investment in EJFIH as it is exposed to any fair value movements in EJFIH.

The preference shares in which EJFIH has invested are not rated (31 December 2022: not rated).

Investment in CDO Securities

As at 31 December 2023, the Company, through its investment in EJFIH, was invested in distressed and cash yielding CDO Securities issued by Attentus, Kodiak and Taberna, which are unaffiliated third-party CDO sponsors.

EJFIH is exposed to the credit risk of their CDO security counterparties or the counterparties of the securitisations in which it invests. In the event of a bankruptcy or insolvency of such a counterparty, EJFIH, or a securitisation in which such an investment is held, could suffer significant losses including the loss of that part of EJFIH's or the securitisation's portfolio financed through such a transaction, declines in the value of their investment, including declines that may occur during an applicable stay period, the inability to realise any gains on their investment during such period and fees and expenses incurred in enforcing their rights. This would also affect the Company's investment in EJFIH as it is exposed to any fair value movements in EJFIH.

The CDO Securities are not rated (31 December 2022: not rated).

14. Financial Risk Management (continued)

(b) Credit Risk (continued)

Investment in European debt securities

As at 31 December 2023, the Company, through its investment in EJFIH, was invested in a European debt security. This security is denominated in USD and has a current coupon of 13.25%.

The position is rated BB- by Standard & Poor's (31 December 2022: BB-).

Concentration of credit risk

The Manager reviews the credit risk of counterparties (primarily prime brokers or custodians when applicable) that hold a concentration of the Group's assets, in particular, the Group's cash deposits and cash equivalents held in a money market fund.

The Group's exposure was concentrated as below:

	31 December 2023		31 December 2022	
	£	%	£	%
Citibank N.A.	4,299,620	24	7,138,966	95
BNPP	671,177	4	364,160	5
Western Asset Institutional US Treasury Reserves Ltd	12,620,503	72	-	-
Total	17,591,300	100%	7,503,126	100%

Collateral and other credit enhancements, and their financial effect

The Group mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

Derivatives

Derivative transactions are either transacted on an exchange with central clearing counterparties (CCPs) or entered into under ISDA master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. EJFIH has executed a credit support annex in conjunction with the ISDA agreement, which requires EJFIH and its counterparties to post collateral to mitigate counterparty credit risk.

The derivatives are entered into with Citibank N.A.

Impairment of Financial Assets

The Company is subject to the expected credit loss model on its financial assets that are carried at amortised cost. While cash and cash equivalents and balances due from brokers are also subject to the impairment requirements of IFRS 9, the identified impairment loss was nil. The Company is also exposed to credit risk in relation to financial assets that are measured at FVTPL. The maximum exposure at the end of the reporting period is the carrying amount of these financial assets.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the Manager's approach to managing liquidity risk in the Group is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Prospectus provides for the Board to pay quarterly dividends of available cash to Shareholders following the recommendation of the Manager. Therefore, the Company may be exposed to the liquidity risk of not meeting this target at each quarterly distribution date.

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14. Financial Risk Management (continued)

(c) Liquidity Risk (continued)

The Group's financial assets include illiquid investment securities and investments in private investment entities. As a result, the Group may not be able to liquidate some of its interest in these instruments in due time to meet its liquidity requirements.

The Company's liquidity is managed on an ongoing basis by the Manager. Since the Company's liability obligations consist of current liabilities related to its standard operating activity, liquidity risk is deemed to be low. Current liabilities are paid and reported to the Board on a quarterly basis unless a special meeting is required.

	31 December 2023	31 December 2022
Liquid assets	£26,677,185	£11,897,133
Current liabilities	£513,711	£504,067
Liquid assets as a % of current liabilities	5,193%	2,360%

The Group manages its liquidity risk by maintaining a current ratio (liquid assets divided by current liabilities) of no less than approximately 100%. The tables below set out the Group assets with an expected liquidation period within 90 days (liquid assets) to the Company's current liabilities (presented inclusive of interest) as at 31 December 2023 and 31 December 2022:

31 December 2023	Less than 7 days	7 days to 1 month	1 month to 3 months	3 months to over 1 year	Total
	£	£	£	£	£
Liquid Assets					
Cash	4,970,797	-	-	-	4,970,797
Balance due from the Manager	-	196,733	-	-	196,733
European debt securities	-	821,306	-	-	821,306
US treasury bills	3,387,864	-	-	-	3,387,864
Investment in US bank debt	-	4,679,982	-	-	4,679,982
Cash equivalents held in money market fund	12,620,503	-	-	-	12,620,503
Total	20,979,164	5,698,021	-	-	26,677,185
	Less than 7 days	7 days to 1 month	1 month to 3 months	3 months to over 1 year	Total
	£	£	£	£	£
Financial liabilities					
Amount payable to EJFIH	-	-	(163)	-	(163)
Accounts payable and accrued expenses	-	-	(513,548)	-	(513,548)
Total	-	-	(513,711)	-	(513,711)

EJF INVESTMENTS LIMITED
NOTES TO THE AUDITED FINANCIAL STATEMENTS
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14. Financial Risk Management (continued)

(c) Liquidity Risk (continued)

31 December 2022	Less than 7 days	7 days to 1 month	1 month to 3 months	3 months to over 1 year	Total
	£	£	£	£	£
Liquid Assets					
Cash	7,503,125	-	-	-	7,503,125
Balance due from the Manager	-	348,345	-	-	348,345
European debt securities	-	2,552,965	-	-	2,552,965
US Treasury Bills	-	1,492,698	-	-	1,492,698
Total	7,503,125	4,394,008	-	-	11,897,133

	Less than 7 days	7 days to 1 month	1 month to 3 months	3 months to over 1 year	Total
	£	£	£	£	£
Financial liabilities					
Amount payable to EJFIH	-	-	(3,690)	-	(3,690)
Accounts payable and accrued expenses	-	-	(500,377)	-	(500,377)
Total	-	-	(504,067)	-	(504,067)

The tables above show the undiscounted cash flows of the Company's financial liabilities on the basis of their earliest possible contractual maturity. The Company's expected cash flows on these instruments are not expected to vary significantly from this analysis.

The Group further manages its liquidity risk by holding at least 2% of its NAV in assets with an expected liquidation period within 90 days. The ratio of assets with an expected liquidation period within 90 days (liquid assets) to total net assets is set out below:

	31 December 2023	31 December 2022
Liquid assets	£26,677,185	£11,897,133
Total NAV	£97,985,799	£112,511,875
Liquid assets as % of total NAV	27%	11%

15. Capital Risk Management

The Company's issued capital is represented by Ordinary Shares.

As a result of the ability to issue, repurchase and resell shares, the capital of the Company can vary. The Company is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of its shares. The Company's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in its Prospectus;
- to achieve consistent returns while safeguarding capital by investing in a diversified Portfolio;
- to maintain sufficient liquidity to meet the expenses of the Company; and
- to maintain sufficient size to make the operation of the Company cost-efficient.

The policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, as well as the level of dividends to Shareholders.

EJF INVESTMENTS LIMITED
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15. Capital Risk Management (continued)

The Company may utilise borrowings for share buybacks, short-term liquidity purposes and investments, seeking leverage via bank financing, term loans, or debt instruments. The Company has the availability to borrow up to 35% of its NAV (calculated at the time of drawdown), provided that:

- i. the maximum amount for borrowings for long-term investment purposes within such limit will be 30% of the NAV; and
- ii. borrowings for long-term investment purposes may only be incurred when the minimum cover amount, 3.5x for ZDP Shares, is met (calculated at the time of drawdown).

The Company's net debt to equity ratio at the year end was as follows:

	31 December 2023	31 December 2022
	£	£
ZDP Shares	24,076,047	19,666,072
Accounts payable and accrued expenses	513,711	504,067
Less: cash and cash equivalents	(660,830)	(359,298)
Net debt	23,928,928	19,810,841
Total equity	97,985,799	112,511,875
Net debt to adjusted equity ratio	0.24	0.18

16. Related Party Transactions and other Material Contracts

Transactions

Investment transactions between EJFIH and the Armadillo Portfolio, the Partnership, Seneca and the CDO Manager are disclosed in Note 8.

Directors' Fees

The Directors are entitled to a fee for their services at a rate to be determined from time to time by the Board. The base annual fee charged by each Director for the year ended 31 December 2023 was £44,000 (31 December 2022: £40,000) per annum.

Joanna Dentskevich is entitled to an additional fee of £11,000 (31 December 2022: £10,000) per annum in respect of her role as Chair of the Board.

Alan Dunphy is entitled to an additional fee of £5,500 (31 December 2022: £5,000) per annum in respect of his role as chair of the Audit and Risk Committee.

During the year, the Board agreed that Nick Watkins is entitled to an additional fee of £1,500 for the 2023 calendar year and £1,500 per annum thereafter in respect of his role as chair of the Management Engagement Committee.

For the year ended 31 December 2023, the Company incurred Directors' fees of £150,000 (31 December 2022: £135,000). At 31 December 2023, £nil (31 December 2022: £nil) of this amount was outstanding.

On 25 August 2023, Neal J. Wilson retired from his role as Director of the Company. Whilst a Director of the Company, he also served as CEO of the Manager and an officer and director of other affiliates of the Manager including EJF, the General Partner of the Partnership, and the general partner of Armadillo I and Armadillo II. Therefore, conflicts could have arisen as this individual allocated his time between the Company, EJF and other programmes and activities in which they are involved. All Directors (and prior to Neal J. Wilson's retirement as a Director, all independent Directors) are required to consent to and approve any of the Company's conflicted trades, which also involve approval by one of these affiliates and its officers, directors and employees. With respect to Risk Retention investments to be issued in connection with all future EJF Securitisations, the Partnership has the right of first refusal over other funds managed by EJF. During his tenure as Director, Neal Wilson waived his right to receive remuneration.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors. During the year ended 31 December 2023, the Company recorded an expense of £49,403 (31 December 2022: £55,657).

16. Related Party Transactions and other Material Contracts (continued)

Investment Management fee

In accordance with the Management Agreement, the Manager has been appointed as the manager of the Company, the Partnership and the General Partner. In such capacity, the Manager is responsible for the portfolio and risk management of the Group, including: (i) managing the Company's assets and its day-to-day operations; (ii) the selection, purchase and sale of investment securities held via EJFIH; (iii) providing financing and risk management services; and (iv) providing advisory services to the Board.

In accordance with the terms of the Management Agreement, the Company pays a management fee calculated monthly and payable quarterly in arrears. Subject to certain limitations, the monthly management fee is equal to 0.0833% (one-twelfth of 1%) of the Company's NAV.

During the year ended 31 December 2023, the Company incurred management fees of £879,003 (31 December 2022: £965,902). As at 31 December 2023, £208,423 (31 December 2022: £239,750) was outstanding.

Incentive Fee

The Manager is entitled to an incentive fee which is calculated in relation to the assets attributable to Ordinary Shares, in accordance with the Management Agreement. The Incentive Fee amount is equal to 10% of the amount by which the Adjusted NAV attributable to Ordinary Shares exceeds the higher of (i) the Incentive Hurdle at the relevant time and (ii) the High Watermark at the relevant time, in respect of the relevant Incentive Fee Period.

The Incentive Fee is calculated in respect of each Incentive Fee Period, save for the final Incentive Fee Period being the date that the Management Agreement is terminated or, where the Management Agreement has not been terminated, the actual date of termination of the provision by the Manager of the non-retained services as defined in the Management Agreement.

During the years ended 31 December 2023 and 31 December 2022, the Company did not accrue an incentive fee liability.

Ordinary Shares held by Related Parties

Shareholdings of the Directors as at the year end are as follows:

Name	Ordinary Shares	Percentage of Ordinary Shares in Issue	Ordinary Shares	Percentage of Ordinary Shares in Issue
	31 December 2023 ¹	31 December 2023 ²	31 December 2022 ¹	31 December 2022 ²
Joanna Dentskevich	77,896	0.13%	77,896	0.13%
Nick Watkins	10,000	0.02%	10,000	0.02%
Neal Wilson ³	n/a	n/a	1,718,881	2.81%

ZDP Shares held by Related Parties

ZDP Shareholdings of the Directors as at year end are as follows:

Name	2025 ZDP Shares	Percentage of 2025 ZDP Shares in Issue	2025 ZDP Shares	Percentage of 2025 ZDP Shares in Issue
	31 December 2023 ⁴	31 December 2023 ⁵	31 December 2022 ⁴	31 December 2022 ⁵
Joanna Dentskevich	30,000	0.16%	30,000	0.18%
Nick Watkins	10,000	0.05%	10,000	0.06%
Neal Wilson	n/a	n/a	1,000,000	5.88%

¹The shareholdings are either direct and/or indirect holdings of Ordinary Shares.

²The calculation of shareholding percentage is based on number of Ordinary Shares in issue after adjusting for treasury shares.

³On 25 August 2023, Neal J. Wilson retired from his role as a Director of the Company.

⁴The shareholdings are either direct and/or indirect holdings of ZDP Shares.

⁵The calculation of shareholding percentage is based on number of ZDP Shares in issue.

16. Related Party Transactions and Other Material Contracts (continued)

Other Material Matters

During the year ended 31 December 2023, the Manager absorbed 60% (31 December 2022: 60%) of the Company's recurring operating expenses, aside from management and incentive fees.

For the year ended 31 December 2023, £612,234 (31 December 2022: £546,976) of operating expenses were offset by reimbursements from the Manager. As at 31 December 2023, the Company had a receivable balance of £196,733 (31 December 2022: £348,345) from the Manager relating to the reimbursement of these operating expenses.

Ordinary Shares and 2025 ZDP Shares holdings of officers of the Manager and its affiliates (not considered as related parties) as at year end are as follows:

Name	Ordinary Shares	Percentage of Ordinary Shares in Issue	Ordinary Shares	Percentage of Ordinary Shares in Issue
	31 December 2023 ¹	31 December 2023 ²	31 December 2022 ¹	31 December 2022 ²
EJF Capital Limited	1,878,246	3.07%	1,878,246	3.07%
Emanuel Friedman ³	11,816,558	19.33%	11,816,558	19.33%
Jason Ruggiero	165,336	0.27%	165,336	0.27%
Peter Stage	141,501	0.23%	141,501	0.23%
Neal Wilson ⁴	1,718,881	2.81%	n/a	n/a

Neal Wilson and Peter Stage are officers of the Manager. Emanuel Friedman (co-chief executive officer of EJF) and Jason Ruggiero (co-chief investment officer of EJF) are voting members of the Investment Committee.

Name	2025 ZDP Shares	Percentage of 2025 ZDP Shares in Issue	2025 ZDP Shares	Percentage of 2025 ZDP Shares in Issue
	31 December 2023 ⁵	31 December 2023 ⁶	31 December 2022 ⁵	31 December 2022 ⁶
Neal Wilson	1,000,000	5.19%	n/a	n/a

¹The shareholdings are either direct and/or indirect holdings of Ordinary Shares.

²The calculation of shareholding percentage is based on number of Ordinary Shares in issue after adjusting for treasury shares.

³Ordinary Shares held by Cheetah Holdings Limited, a charitable foundation co-founded by Emanuel Friedman.

⁴On 25 August 2023, Neal J. Wilson retired from his role as a Director of the Company.

⁵The shareholdings are either direct and/or indirect holdings of ZDP Shares.

⁶The calculation of shareholding percentage is based on number of ZDP Shares in issue.

17. Basic and Diluted Earnings per Ordinary Share

Basic earnings per share is calculated by dividing the (loss)/earnings for the year by the weighted average number of Ordinary Shares in issue during the year.

The weighted average number of Ordinary Shares in issue is 61,145,198 (31 December 2022: 61,145,198).

The diluted earnings per share is calculated by considering adjustments required to the earnings and weighted average number of shares for the effects of potential dilutive Ordinary Shares. The weighted average of the number of Ordinary Shares is adjusted for any convertible instruments. As at 31 December 2023 and 31 December 2022, there were no convertible instruments that would have an impact on the weighted average number of Ordinary Shares.

18. Events after the Reporting Period

The Board has evaluated subsequent events for the Company through to 27 March 2024, the date the Audited Financial Statements are available to be issued, and other than those listed below, concluded that there are no material events that require disclosure or adjustment to the Audited Financial Statements.

Dividends

On 29 January 2024, the Company declared a final dividend of 2.675p per share in respect of the quarter ended 31 December 2023. The dividend was payable to Shareholders on the register as at close of business on 9 February 2024 and the corresponding ex-dividend date was 8 February 2024. Payment was made on 29 February 2024.

Cross-trade transaction

In the month of March 2024, the Group entered into a cross-trade transaction with several affiliated fund entities managed by EJF, purchasing mezzanine debt notes of affiliated CDOs for approximately \$5.5 million. The transaction was executed in accordance with EJF's internal policy and was reviewed and approved by the Board of the Company. The cross-trade and trade price was also approved by the independent governing bodies of all the affiliated fund entities.

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19. Reconciliation of IFRS to US GAAP

The Manager is a registered adviser with the SEC. To meet the requirements of Rule 206(4)-2 under the Investment Advisors Act 1940 (the “Custody Rule”) the Audited Financial Statements have also been audited in accordance with US GAAS. As such, two independent Auditors’ reports are included on pages 42 to 49, one under International Standards on Auditing as required by the Crown Dependencies Audit Rules and the other under US GAAS. Compliance with the Custody Rule also requires a reconciliation of the operating profit and net assets under IFRS to US GAAP.

The Company has been assessed to be an investment entity in accordance with IFRS 10 as well as an investment company in accordance with ASC 946. Hence, under both accounting frameworks, the Company does not need to consolidate its investment in EJFIH and instead has accounted for it at FVTPL.

The operating profit and NAV of the Company under both IFRS and US GAAP have no material differences and therefore no reconciliation has been presented in these Audited Financial Statements.

Under US GAAP, the Company is required to disclose its financial highlights and a schedule of investments. All investments are within the financial services sector.

Financial Highlights

Financial highlights for the year ended 31 December 2023 are as follows:

NAV total return, since inception

Beginning of year	93.38%
End of year	79.32%

Expense ratio to average NAV

Expenses before incentive fees	1.81%
Expenses reimbursed by the Manager	(0.59)%

Expenses, including incentive fees	1.22%
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Investment income	7.77%
Expenses	(1.22)%

Net investment income ratio	6.55%
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EJF INVESTMENTS LIMITED
NOTES TO THE AUDITED FINANCIAL STATEMENTS
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19. Reconciliation of IFRS to US GAAP (continued)

Schedule of Investments

31 December 2023	Cost	Cost	Fair Value	% of NAV
Investments in Corporate Notes	Asset	£	£	
	currency			
Cayman Islands				
TR PFD INS NOTE 2017-2 - Equity Notes (Z Notes)	1,648,054	1,272,936	1,119,497	1.15
ATTN 2006-1X J 2% 06-10/05/2036 DFLT - Combination Notes	353,873	265,659	1,072,326	1.09
ATTN 2007-3A F 9.532% 07-11/10/2042 DFLT - Class F Notes	-	-	-	-
TBRNA 2006-6A C 06-05/12/2036 FRN DFLT - Class C Notes	1,562	1,167	-	-
ATTN 2006-1A D 06-10/05/2036 FRN - Class D Notes	-	-	-	-
KDIAK 2006-1A G 06-07/08/2037 FRN - Class G Notes	-	-	-	-
KDIAK 2007-2A F 07-07/11/2042 FRN - Class F Notes	-	-	-	-
TBRNA 2005-4A C3 0% 05-05/05/2036 - Class C-3 Notes	-	-	-	-
TBRNA 2006-5A A3FV 06-05/08/2036 FRN - Class A-3 Notes	-	-	-	-
Total Cayman Islands	2,003,489	1,539,762	2,191,823	2.24
US				
First MD Cap I 97-15/01/2017 FRN	3,992,331	3,213,317	3,183,956	3.23
Alpine Banks Col 20-15/06/2030 FRN	1,850,000	1,451,244	1,496,026	1.53
Total US	5,842,331	4,664,561	4,679,982	4.76
Great Britain				
MAREX GROUP 22-30/12/2027 FRN	1,000,000	815,613	821,306	0.84
Total Great Britain	1,000,000	815,613	821,306	0.84
Investments in private investment entities				
US				
EJF Investments LP ¹	108,646,264	82,854,995	75,112,172	76.66
Seneca Base Offshore LP	2,358,817	1,790,753	4,089,309	4.17
Seneca EJFI Excess LP	1,638,870	1,227,327	4,672,149	4.77
Seneca EJFI Excess FR LP	356,880	284,566	708,625	0.72
Total US	113,000,831	86,157,641	84,582,255	86.32
Investments in private operating company				
US				
EJF CDO manager LLC	8,547,026	6,379,606	6,045,335	6.17
Total US	8,547,026	6,379,606	6,045,335	6.17

¹Refer to note 14 for further details on investment in EJF Investments LP.

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19. Reconciliation of IFRS to US GAAP (continued)

Schedule of Investments (continued)

Investments in government securities				
US				
US Treasury N/B 4.125% 22-30/09/2027	782,239	693,659	612,733	0.63
US Treasury N/B 4.25% 22-30/09/2024	300,601	266,723	234,458	0.24
US Treasury N/B 2.75% 22-15/08/2032	739,114	656,151	575,735	0.59
US Treasury N/B 4.125% 22-15/11/2032	1,309,131	1,059,948	998,440	1.02
US Treasury N/B 3.5% 23-31/01/2028	1,240,918	1,004,719	966,498	0.99
Total US	4,372,003	3,681,200	3,387,864	3.47
Derivatives		Maturity	Fair Value	% of NAV
Forward currency contracts			£	
Purchase £29.2m / sell US\$36.8m		6 February 2024	257,382	0.27
Purchase £9.3m / sell US\$11.7m		7 February 2024	81,874	0.08
Purchase £29.3m / sell US\$36.8m		13 February 2024	483,606	0.49
Total Derivatives			822,862	0.84
Other net assets¹			19,150,971	19.54
Total other net assets			19,150,971	19.54
Total Investments			121,682,398	124.18

¹Other net assets comprises EJFIH's cash and cash equivalents, cash and cash equivalents held as margin and receivables.

ALTERNATIVE PERFORMANCE MEASURES

NAV per Ordinary Share

NAV per Ordinary Share means an amount equal to, as at the relevant date, the NAV attributable to Ordinary Shares divided by the Ordinary Shares in issue as at such date.

Reason for use

Common industry performance benchmark for calculating the Total Return and Share Price (Discount)/Premium to NAV per Ordinary Share.

Recalculation

NAV per Ordinary Share is calculated as follows:

	31 December 2023	31 December 2022
Net Assets as per Statement of Financial Position	£97,985,799	£112,511,875
Number of Ordinary Shares in issue at year end (excluding treasury shares)	61,145,198	61,145,198
NAV per Ordinary Share	160p	184p

Total Return

The increase in the NAV per Ordinary Share plus the total dividends paid per Ordinary Share during the period, with such dividends paid being re-invested at NAV, as a percentage of the NAV per share as at period end. Compounded monthly returns per the monthly published performance reports, inclusive of dividends. Components of Total Return are returns from underlying portfolio, foreign exchange and expenses.

Reason for use

To provide transparency in the Company's performance and to help investors identify and monitor the compounded returns of the Company.

Recalculation

Total Return has been calculated using the following monthly returns and compounded as follows:

	2023	2022	2021	2020	2019
Monthly return	%	%	%	%	%
January	(0.58)	0.13	1.99	0.47	0.35
February	1.48	1.34	0.15	0.18	0.41
March	(4.55)	2.22	2.12	(13.57)	1.77
April	(0.17)	4.01	0.44	0.58	5.61
May	0.84	0.72	(2.09)	3.33	0.83
June	(6.72)	1.87	2.80	0.15	0.26
July	0.91	1.09	(0.01)	1.25	0.56
August	1.63	2.73	0.55	0.34	0.62
September	(0.36)	2.47	3.06	0.40	0.21
October	0.80	(0.40)	(0.16)	(0.73)	0.04
November	(0.69)	(3.15)	3.25	1.16	0.13
December	0.25	0.20	(1.43)	0.25	0.63
Compounded monthly return	(7.27)	13.85	11.02	(7.02)	11.88

The Total Return from inception for the year ended 31 December 2023 was 79.32% (31 December 2022: 93.38%). The annualised Total Return since Inception to 31 December 2023 was 8.84% (31 December 2022: 11.84%).

ALTERNATIVE PERFORMANCE MEASURES**Annualised Dividend Yield**

Dividends declared in respect of the relevant period divided by the share price mid quote as at the end of the relevant period.

Reason for use

To measure the Company's distribution of dividends to Shareholders relative to share price to allow comparability to other companies in the market.

Recalculation

Annualised Dividend Yield is calculated as follows:

	31 December 2023
Dividends declared and paid for the quarter ended 31 March 2023 (see note 12)	2.675p
Dividends declared and paid for the quarter ended 30 June 2023 (see note 12)	2.675p
Dividends declared and paid for the quarter ended 30 September 2023 (see note 12)	2.675p
Dividends declared for the quarter ended 31 December 2023 (see note 12)	2.675p
Total Dividends declared in respect of the year ended 31 December 2023	10.700p
Share price mid quote	101.5p
Annualised Dividend Yield	10.5%

	31 December 2022
Dividends declared and paid for the quarter ended 31 March 2022 (see note 12)	2.675p
Dividends declared and paid for the quarter ended 30 June 2022 (see note 12)	2.675p
Dividends declared and paid for the quarter ended 30 September 2022 (see note 12)	2.675p
Dividends declared for the quarter ended 31 December 2022 (see note 12)	2.675p
Total Dividends declared in respect of the year ended 31 December 2022	10.700p
Share price mid quote	132.0p
Annualised Dividend Yield	8.1%

Share Price Discount to NAV per Ordinary Share

Closing price as at such date as published on the LSE divided by the NAV per Ordinary Share.

Reason for use

Common industry measure to understand the price of the Company's shares relative to its net asset valuation.

Recalculation

Share Price Discount to NAV per Ordinary Share is calculated as follows:

	31 December 2023	31 December 2022
Closing price as at 31 December as published on the London		
Stock Exchange	101.5p	132.0p
NAV per Ordinary Share	160p	184.0p
Share Price Discount to NAV Per Ordinary Share	(36.6)%	(28.3)%

GLOSSARY OF TERMS

TERM	DEFINITION
ABS	Asset backed securities.
Adjusted NAV attributable to Ordinary Shares	Adjusted NAV attributable to Ordinary Shares is calculated as an amount equal to the NAV attributable to Ordinary Shares: (i) excluding any increases or decreases in NAV attributable to Ordinary Shares attributable to the issue or repurchase of any Ordinary Shares; (ii) adding back the aggregate amount of any dividends paid or distributions made in respect of any Ordinary Shares; (iii) excluding the aggregate amount of dividends and distributions accrued but unpaid in respect of any Ordinary Shares; and (iv) excluding the amount of any accrued but unpaid Incentive Fees payable in relation to the NAV attributable to Ordinary Shares, in each case without double counting.
Administrator	BNP Paribas S.A., Jersey Branch.
Admission	The Company's Ordinary Shares which were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on the 7th April 2017.
AGM	Annual General Meeting.
AIC Code	The 2019 Association of Investment Companies Code of Corporate Governance.
AIF	An alternative investment fund, as defined in the AIFM Directive.
AIFM	An alternative investment fund manager, as defined in the AIFM Directive.
AIFMD or AIFM Directive	The Alternative Investment Fund Managers Directive 2011/61/EU.
Annual Report	Annual Report and Audited Financial Statements.
Annualised Dividend Yield	Has the meaning on page 93.
APM	Alternative performance measure. The calculation methodology and rationale for disclosing each of the APMs has been disclosed on pages 92 to 93.
Armadillo I	Armadillo Financial Fund LP.
Armadillo II	Armadillo Financial Fund II LP.
Armadillo Portfolio	A portfolio of high-yielding loans to US law firms engaged in mass tort litigation by way of the holding of limited partner interests in Armadillo I and Armadillo II.
Articles	The articles of association of the Company.
Audited Financial Statements	Financial statements audited by the Auditor.
Auditor	KPMG LLP.
BNPP	BNP Paribas S.A.
Board	The board of Directors of the Company.
CDO	Collateralised Debt Obligation.
CDO Equity Tranches	Each CDO has several tranches of investors, who receive interest and principal repayments in sequence based on their seniority in the structure. If some underlying collateral loans default and the cash collected by the CDO is insufficient to pay all of its investors, then such losses (as reduced by any over-collateralisation) are picked up first by those in the lowest or junior most tranche. Equity Tranches are the junior most tranche in the CDOs that the Company invests in.
CDO Manager	EJF CDO Manager LLC, a Delaware limited liability company.
CDO Securities	Bonds issued by Kodiak, Attentus and Taberna, which are unaffiliated third-party CDO sponsors.
CDD	Customer due diligence.
CEO	Chief Executive Officer.
CFTC	US Commodities and Futures Trading Commission.
Chair	Joanna Dentskevich, Chair of the Board.
Companies Law	The Companies (Jersey) Law 1991, as amended.
Company or EJFI	EJF Investments Limited, a closed-ended investment company incorporated with limited liability in the Bailiwick of Jersey under the Companies Law on 20 October 2016 with registered number 122353.
Continuance Resolution	Ordinary resolution for the business of the Company to continue, to be proposed at an EGM, as procured by the Directors, to be held on or about the fifth anniversary of Admission, and every five years thereafter. If not passed, the Directors will take such actions as they deem appropriate to commence the liquidation of the assets of the Company (having regard to the prevailing liquidity of the assets of the Company and, if applicable, any rules imposed by the Securitisation and Risk Retention Regulations).
Continuation Vote	Vote to be held at an EGM to consider a Continuance Resolution.
Corporate Broker(s) or Financial Adviser(s)	Liberum Capital Limited and Barclays Bank PLC.
CPO	Commodity pool operator.
CTA	Commodity trading adviser.
Custodians	Citigroup Global Markets Inc. and Citibank N.A.
Dodd-Frank	The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.
DTR	Disclosure Guidance and Transparency Rules.
Duty	The UK Consumer Duty.
EGM	Extraordinary general meeting.
EJF	EJF Capital LLC.

GLOSSARY OF TERMS (CONTINUED)

TERM	DEFINITION
EJFIH or Subsidiary	EJF Investments Holdings Limited.
EJF Securitisations	EJF or EJF Affiliate-sponsored securitisations.
ESG	Environmental, social and governance.
EU	The European Union.
FBR	Friedman, Billings, Ramsey Group.
FCA	Financial Conduct Authority.
Fed	US Federal Reserve.
FINS 2019-1	Financial Note Securitization 2019-1 Ltd.
FinTech	Financial Technology.
FRB	First Republic Bank
FRC	Financial Reporting Council.
FSMA	Financial Services and Markets Act 2000.
FVTPL	Fair Value Through Profit or Loss.
FX	Foreign exchange.
GAAP	Generally Accepted Accounting Standards.
GAAS	Generally Accepted Auditing Standards.
General Partner	EJF Investments GP Inc., being general partner of the Partnership.
Group	The Company and its Subsidiary.
High Watermark	High Watermark is calculated using the Adjusted NAV attributable to Ordinary Shares as determined on the last day of the latest previous Incentive Fee Period in respect of which an Incentive Fee was payable to the Manager.
IAS 32	Financial Instruments: Presentation.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board.
IFRS 8	International Financial Reporting Standard 8, "Operating Segments".
IFRS 9	International Financial Reporting Standard 9, "Financial Instruments" (Issued in July 2014).
IFRS 10	International Financial Reporting Standard 10, "Consolidated Financial Statements".
IFRS 12	International Financial Reporting Standard 12, "Disclosure of Interest in Other Entities".
IFRS 13	International Financial Reporting Standard 13, "Fair Value Measurement".
IFRS 17	International Financial Reporting Standard 17, "Insurance Contracts".
Incentive Fee	The incentive fee to which the Manager is entitled as described in the section entitled "Fees and Expenses" in Part V: "Directors, the Manager and Administration" of the Prospectus.
Incentive Fee Period	Each 12-month period starting on 1 January and ending on 31 December in each calendar year.
Incentive Hurdle	Incentive hurdle is calculated using the Adjusted NAV attributable to Ordinary Shares on the date of Admission, and then the beginning NAV of each subsequent period, compounded annually (with effect from 31 December 2017) at a rate equal to an internal rate of return of 8% per annum.
Interim Report	Interim Report and Unaudited Condensed Interim Financial Statements.
Investment Committee	Investment committee of the Manager.
Investment Objective	The Company seeks to generate attractive risk adjusted returns for its Shareholders by investing in opportunities created by regulatory and structural changes impacting the financial services sector. These opportunities are anticipated to include structured debt and equity, loans, bonds, preference shares, convertible notes, European debt securities and private equity, in both cash and synthetic formats, and may be issued by entities domiciled in the US, UK and Europe.
Investment Policy	The Company seeks to achieve its Investment Objective by pursuing a policy of investing in a diversified portfolio of investments that are derived from the changing financial services landscape.
ISDA	International Swaps and Derivatives Association.
Listing Rules	The listing rules made by the FCA under Part VI of the FSMA.
LSE	The London Stock Exchange.
MAR	UK Market Abuse Regulation.
M&A	Mergers and Acquisitions.
Management Agreement	The Amended and Restated Management Agreement dated 30 March 2017 between the Company, the Partnership, the General Partner, the Manager and EJF (as amended from time to time).
Manager	EJF Investments Manager LLC.
MSRs	Mortgage servicing rights.
NAV per Ordinary Share	Has the meaning on page 92.
Net Asset Value or NAV	The NAV means the Company's assets less liabilities. The Company's assets and liabilities are valued in accordance with International Financial Reporting Standards.

GLOSSARY OF TERMS (CONTINUED)

TERM	DEFINITION
Ordinary Shares	The non-redeemable Ordinary Shares of no par value in the share capital of the Company which, for the avoidance of doubt, includes all classes of Ordinary Shares (denominated in such currency) as the Directors may determine in accordance with the Articles (and for the purposes of the Prospectus, the Ordinary Shares shall be denominated in Sterling) having the rights and subject to the restrictions set out in the Articles.
Ordinary Share Price	Closing price as the respective reporting date as published on the London Stock Exchange.
Partnership	EJF Investments LP (a Delaware limited partnership formed under the laws of the US state of Delaware).
Placing Programme	As described in Part X: "Details of the Placing Programme" of the Prospectus".
Portfolio	The Company's and the Subsidiary's portfolio of investments from time to time.
Preference Shares	Investment in TFINS 2017-2 depositor vehicle.
Principal Risks	Those risks, or a combination thereof, that are considered to materially threaten the Company's ability to meet its Investment Objective, solvency or liquidity.
Prospectus	The Company's prospectus dated 4 April 2022.
REIT	Real estate investment trust.
Risk Retention	Has the meaning given to it in Part III: "The Market Opportunity" of the Prospectus.
Risk Retention and Related Investments	Has the meaning given to it in paragraph 4.1(a) of Part II: "The Company" of the Prospectus.
Risk Retention Investments	Has the meaning given to it in paragraph 4.1(a) of Part II: "The Company" of the Prospectus.
Rollover Offer	The offer to 2022 ZDP Shareholders to convert some or all of their existing 2022 ZDP Shares into 2025 ZDP Shares.
SASB	Sustainability Accounting Standards Board.
SEC	US Securities and Exchange Commission.
Section 172(1)	Section 172(1) of the UK Companies Act 2006.
Securitisation and Related Investments	Has the meaning given to it in paragraph 4.1(a) of Part II: "The Company" of the Prospectus.
Seneca	Seneca Mortgage Servicing LLC, a residential mortgage servicer in the US which is owned and controlled by EJF, and through which the Company makes MSR investments.
SFS	The Specialist Fund Segment of the London Stock Exchange.
Shareholder	The holder of one or more Ordinary Shares.
Silvergate	Silvergate Capital Corporation.
Specialty Finance Investments	Represent less liquid UK, European and US specialty finance investments such as (but not limited to): (i) growth equity capital to newly formed companies with scalable specialty finance platforms (such as FinTech); (ii) secured and unsecured lending; (iii) investments collateralized by real estate and real estate related assets; and (iv) other illiquid, specialty finance investment opportunities.
Sterling or GBP or £	Pound sterling.
Subsidiary	EJF Investments Holdings Limited.
SVB	Silicon Valley Bank.
TCFD	Task Force on Climate-related Financial Disclosures.
Target Dividend	The Company targets an annual payment of dividends which equates to 10.7 pence per Ordinary Share.
Target Return	The Company targets an annual total return on NAV per Share of 8% to 10% per annum.
TFINS 2017-2	TruPS Financials Note Securitization 2017-2 Ltd.
TFINS 2018-1	TruPS Financials Note Securitization 2018-1 Ltd.
TFINS 2018-2	TruPS Financials Note Securitization 2018-2 Ltd.
TFINS 2019-1	TruPS Financials Note Securitization 2019-1 Ltd.
TFINS 2019-2	TruPS Financials Note Securitization 2019-2 Ltd.
TFINS 2020-1	TruPS Financials Note Securitization 2020-1 Ltd.
TFINS 2020-2	TruPS Financials Note Securitization 2020-2 Ltd.
Total Return	As defined in Alternative Performance Measures on page 92.
TruPS	Trust preferred securities.
TruPS CDO Collateral	Has the meaning given in paragraph 4.2(b) of Part II: "The Company" of the Prospectus.
UK	United Kingdom.
UK Code	2018 UK Corporate Governance Code.
US	United States of America.
US Dollar or USD	United States Dollar.
US GAAS	Generally Accepted Auditing Standards applicable in the United States.
2022 ZDP Shares	The redeemable Zero Dividend Preference shares of no par value in the Company which were redeemed on 30 November 2022, which bore a gross redemption yield of 5.86%.
2025 ZDP Shares	The redeemable Zero Dividend Preference shares of no par value in the Company with a repayment date of 18 June 2025 and bearing a gross redemption yield of 7.00%.
ZDP Shares	2022 ZDP Shares and 2025 ZDP Shares.
ZDP Shareholder	The holder of one or more ZDP Shares.
ZDP Share Price	Closing price as at the respective reporting date as published on the London Stock Exchange.