



NEWS RELEASE

Mount Logan Capital Inc. Letter to Shareholders

TORONTO, May 11, 2020 – In response to the continued uncertainty and unprecedented impact that the COVID-19 global pandemic is having on both the financial markets and economies around the world, Mount Logan Capital Inc. (NEO:MLC) (“Mount Logan” or the “Company”) is providing an update to all of our stakeholders. As always, but especially in times like these, we hope all our stakeholders, including shareholders, lenders, portfolio companies, and advisors, are healthy and safe. Please note that we continue to vigilantly monitor this continually evolving situation and have implemented steps to keep our team safe while ensuring full business continuity. All amounts in this letter are stated in United States dollars, unless otherwise indicated.

While we anticipate a challenging economic climate in the coming quarters, we believe stakeholders should take comfort in the ability of Mount Logan’s management team to navigate a period of dislocation and stress such as this. Additionally, while the current market conditions are not something that could have been predicted or anticipated, economic cycles and capital markets dislocations have always existed and will continue to exist even after the economy has recovered from the effects of COVID-19. Our credit investment organization was built, and its investment professionals hired, to invest across all economic and credit market cycles. Senior members of Mount Logan’s management team have experience managing assets through multiple credit cycles at best-in-class institutions.

In addition to our management team, we believe Mount Logan is well-positioned to face the current period of uncertainty for the following three key reasons:

1. Diversified Portfolio
2. Defensive Sectors
3. Liquidity, Funding Profile, and Capital

Diversified Portfolio¹

As of March 31, 2020, our investment portfolio consisted of 16 unique investments and an average exposure per borrower of \$3.1 million (based on March 31, 2020 fair market value, excluding our investment in the BCP Great Lakes Unitranche Joint Venture). All of our borrowers have paid their interest and principal that was due as of March 31, 2020. Our portfolio remains heavily concentrated in first lien senior secured debt. As of March 31, 2020, approximately 80% of our portfolio (based on March 31, 2020 fair market value) consisted of first lien senior secured debt. We have purposely constructed our portfolio to focus on first dollar risk precisely to be positioned well when times of economic stress do arise.

With respect to our exposure to the BCP Great Lakes Unitranche Joint Venture, this represents approximately 14% of our portfolio (based on March 31, 2020 fair market value). This exposure is underpinned by a portfolio of first lien senior secured unitranche loans, diversified across 11 middle market borrowers in a variety of stable industries. Taken together, as at March 31, 2020, approximately 94% of our portfolio (based on fair market value) is in first lien senior secured debt and in our joint venture underpinned by first lien debt.

¹ All figures exclude the Company’s legacy investment in Cline Mining Corporation (“Cline”), which is subject to the contingent value rights issued by the Company to the holders of the common shares of the Company prior to its plan of arrangement completed in October 2018.



Defensive Sectors

While the long-term impacts remain uncertain, it is important to note that Mount Logan has no direct exposure to most of the sectors that will or are expected to face immediate impacts. Excluding Cline, which we had previously structured as a contingent value right and hence involves no net balance sheet exposure, we do not have direct exposure to sectors such as automotive, energy, metals and mining, hotel, casinos and leisure, advertising, restaurants, airlines, and cruise lines. Based on fair market value as of March 31, 2020, our largest sectors of exposure are industrials, representing approximately 27% of our investment portfolio, and consumer, representing approximately 20% of our investment portfolio. Amongst the investments in these respective sectors, each investment has diversified exposure to a variety of end-markets and was underwritten with the aim of enduring severe economic stress.

Liquidity, Funding Profile, and Capital

With the renewal of Mount Logan's Revolving Senior Loan Facility (the "Leverage Facility") in January 2020, our \$50 million Leverage Facility now matures in February 2021. While certain peers have faced issues with their leverage facility providers, we are pleased with the terms and flexibility of our existing Leverage Facility. As of March 31, 2020, Mount Logan has drawn \$34.4 million on the Leverage Facility and the remaining \$15.6 million of potential borrowing capacity could be accessed upon the Company meeting certain borrowing base requirements. As of March 31, 2020, we had approximately \$8.9 million of cash, a majority of which is committed to supporting the borrowing base for our Leverage Facility. As previously reported, we declared a CAD\$0.02 dividend per share that was paid on April 28, 2020, and on May 11, 2020, we declared another dividend of CAD\$0.02 per share to be paid in June 2020. We remain focused on balancing adequate liquidity for our ongoing company operations while also deploying capital in attractive investment opportunities that have been created as a result of the market dislocation.

With respect to unfunded commitments in our portfolio, as of March 31, 2020, we had limited exposure with approximately \$2.9 million of unfunded commitments, none of which are revolving credit facilities. Approximately \$1.0 million of that exposure consists of delayed draw first lien term loans to three separate portfolio companies and approximately \$2.0 million is an unfunded commitment to the BCP Great Lakes Unitranche Joint Venture. Across all of the unfunded commitments to which we have exposure, there are restrictions on the underlying companies' ability to fund driven by leverage levels at the underlying borrowers and the use of proceeds. Overall, we believe that the various restrictions in our unfunded commitments will result in very limited demands of unilateral funding by our portfolio companies and if they do fund, we believe that we have adequate liquidity and assets in order to meet any such requirements. Overall, we are proud that Mount Logan's existing structure and permanent capital enabled us to continue to hold our investments and did not force us to sell any investments at a material discount to par when the dislocation began in March 2020.

Conclusion

We will continue to remain vigilant around monitoring our existing investments, and we will continue to actively evaluate additional new investments that present an immense opportunity amid the recent market volatility. While we understand and appreciate that the long-term impacts of COVID-19 are uncertain, we believe that Mount Logan's investment portfolio and balance sheet are positioned defensively and that our management team will continue to take steps to protect stakeholder value and continue to drive value through opportunistically deploying capital in the current environment. We will continue to work hard for all our stakeholders and look forward to maintaining our dialogue with you during this period.

On behalf of our entire team, thank you for your support and please stay safe and healthy.



Sincerely,

Ted Goldthorpe

Chief Executive Officer and Chairman of the Board

About Mount Logan Capital Inc.

Mount Logan Capital Inc. is a Canada-based asset manager created to source and execute on credit investment opportunities in North America. The Company holds and actively manages and monitors a portfolio of loans and other investments with credit-oriented characteristics. The Company intends to actively source, evaluate, underwrite, monitor, and primarily invest in additional loans, debt securities, and other credit-oriented instruments that present attractive risk-adjusted returns and present low risk of principal impairment through the credit cycle.

Cautionary Statement

This press release contains forward-looking statements and information within the meaning of applicable securities legislation. Forward-looking statements can be identified by the expressions "seeks", "expects", "believes", "estimates", "will", "target" and similar expressions. The forward-looking statements are not historical facts, but reflect the current expectations of the Company regarding future results or events and are based on information currently available to them. Certain material factors and assumptions were applied in providing these forward-looking statements. The forward-looking statements discussed in this release include, but are not limited to, statements relating to the Company's business strategy, model, approach and future activities; its future investment portfolio construction and concentration; future funding demands and ability to meet such demands; any future dividends on the Company's shares; and the Company's ability to deliver returns to shareholders. All forward-looking statements in this press release are qualified by these cautionary statements. The Company believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, the Company can give no assurance that the actual results or developments will be realized by certain specified dates or at all. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risks Factors" in the most recently filed annual information form and management discussion and analysis for the Company. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. The Company undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forward-looking statements are made as of the date of this press release.

This press release is not, and under no circumstances is it to be construed as, a prospectus or an advertisement and the communication of this release is not, and under no circumstances is it to be construed as, an offer to sell or an offer to purchase any securities in the Company or in any fund or other investment vehicle.

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