1. The whole portfolio: before buying, every quarter, before selling

Appendix B. These come first, whatever the vehicle. Write the answers down before the money goes out, and date the triggers by quarter.

Investor:		**Account:**	
Budget:		**Date:**	

Check	Done	Figure or answer
Before buying anything		
1. Write down which part of the money may be needed, and by which quarter. Keep that part in bills or an equivalent that can be reached without asking anyone's permission.		
2. Record the displayed yield and say what kind of number it is: a yield to maturity, a current yield, a distribution rate, a dividend yield. Note whether it is trailing, current or promised.		
3. Restate the displayed yield as an effective annual rate if it will be compared with an IRR later.		
4. Turn it into an expected yield: subtract expected loss, fees not already deducted, and any known shortfall of income against the payment.		
5. Compare the expected yield with the bill rate. If it is lower, write down why the line is still worth holding, or do not buy it.		
6. Ask what the line does to the portfolio if it defaults, is gated or has its distribution cut. Put a dollar figure on it.		
7. Decide the size of the line relative to the gap between its displayed and expected yield. The wider the gap, the smaller the line.		
8. Write the triggers for this line (what would make you stop adding, reduce or sell) before the purchase, and date them by quarter.		
9. Note how the line's income will be taxed and in which account it will sit, and take the question to a tax adviser.		
Every quarter, for the whole portfolio		
1. Enter every cash flow in the ledger by line and by quarter.		
2. Recompute the IRR of each sleeve and of the portfolio, and compare it with the displayed yield restated as an effective rate.		
3. Compute each line's weighted shortfall, and list the two or three lines that account for most of the total.		
4. Check the triggers written at purchase. If one has been met, act on the decision already written, or write down why not.		
5. Check the reserve against the calendar.		
Before selling anything		
1. State what the sale is meant to achieve: raising cash, reducing a risk, or replacing a line with a better one.		
2. Compare the proceeds with what holding is expected to deliver, after the fees, losses and discount you now expect rather than the ones you expected at purchase.		
3. Note the tax consequence, including any capital loss, and take it to a tax adviser.		
4. Record the result in the ledger, and note which of the purchase assumptions turned out wrong.		

2. A bond held directly

Appendix B and Chapters 3 to 6. Break-even PD = spread / (1 - recovery). For a high-yield sleeve, count the defaults it can absorb before it falls below the bill.

Issuer:		**Rating and rank:**	
Reviewer:		**Date:**	

Check	Done	Figure or answer
Bond: before buying		
1. The rating, and the issuer's rank in the capital structure (secured or unsecured). Remember that a rating is an opinion, not a probability.		
2. The spread over the risk-free rate, and whether it is large enough to pay the expected loss implied by the rating and a recovery assumption.		
3. The break-even PD: spread divided by (1 - recovery). Compare it with the PD you are prepared to assume.		
4. For a bond bought below par: how much of the yield to maturity is pull to par, and why the price is below 100.		
5. The maturity against your own calendar. A bond that must be sold before maturity carries its price risk to the sale date.		
6. The modified duration, and the price change for a rise of 1 and 2 points in yield.		
7. Call terms, if any: when the issuer can repay early and at what price.		
8. For high-yield bonds: how many defaults the sleeve can absorb at a stated recovery before it falls below the bill.		
9. The bid and offer spread on the purchase, which is a cost even when no fund fee is charged.		
Bond: each quarter		
1. Coupons received on the dates due.		
2. Any change in rating or any news of a missed payment.		
Bond: before selling		
1. If the bond has defaulted: the sale price now against the recovery you expect, the quarter you expect it, and the annual rate that waiting would earn or lose.		
2. If it has not: the price against the yield you would need to reinvest at.		

3. A loan fund, and a CLO tranche fund

Appendix B and Chapters 7 and 8. Break-even cumulative default rate of a tranche = attachment / LGD.

Vehicle:		**Ticker or fund:**	
Reviewer:		**Date:**	

Check	Done	Figure or answer
Loan fund: before buying		
1. The structure: open-end fund with daily redemptions, exchange-traded fund, or closed-end fund. Each gives a different answer to the question of who absorbs the gap between how fast loans settle and how fast shareholders can leave.		
2. The expense ratio, and whether the distribution yield is quoted before or after it.		
3. The loans' spread over SOFR and how the distribution will move if SOFR moves in either direction.		
4. The fund's history of NAV per share against distributions paid. A NAV drifting down while the distribution holds steady tells you where losses are going.		
5. The share of the portfolio in default or on non-accrual, as the fund reports it.		
6. For an open-end fund: its liquidity policy and the share of assets it classifies as illiquid.		
Loan fund: each quarter		
1. NAV per share, distribution per share, and the direction of each.		
2. Defaults in the portfolio, and the fund's stated recovery on them.		
Loan fund: before selling		
1. The NAV at which you will be redeemed, and whether a listed fund's price stands above or below it.		
CLO tranche fund: before buying		
1. Which tranches the fund holds, and their attachment and detachment points.		
2. The thickness of each tranche: a thin tranche moves from no loss to total loss over a short range of pool losses.		
3. The break-even cumulative default rate for each tranche at a stated LGD: attachment divided by LGD.		
4. The fund's structure and redemption terms, and how it values tranches that trade rarely.		
5. What the fund does when a tranche it holds is marked down: whether it sells, holds or must meet redemptions from other assets.		
6. What the simple loss arithmetic leaves out and how the fund reports it: coverage tests, reinvestment periods, excess spread.		
7. Total fees, including any fees charged inside the CLOs themselves.		
CLO tranche fund: each quarter		
1. NAV per share and distribution per share.		
2. The fund's reported exposure by tranche rating.		
CLO tranche fund: before selling		
1. Whether the price reflects the tranche's value or a rush of redemptions.		

4. A listed BDC

Appendix B and Chapters 9 and 10. Expected yield on the price = (annual NII per share - assumed NAV loss per share) / price. A dividend above that adds nothing to the return.

Vehicle:		**Ticker or fund:**	
Reviewer:		**Date:**	

Check	Done	Figure or answer
BDC: before buying		
1. Price, NAV per share, and the discount or premium. Ask why the market disagrees with the NAV, and whether you agree with the market or with the NAV.		
2. The dividend yield on price, and the dividend as a share of NAV.		
3. Net investment income per share for the latest quarter against the dividend: the coverage ratio.		
4. The history of coverage and of NAV per share over as many quarters as the reports allow.		
5. Non-accruals as a share of the portfolio, and their trend.		
6. Leverage (debt to equity) and asset coverage, against the regulatory floor the BDC has chosen, 150 or 200 percent.		
7. The fee structure: base fee on gross or net assets, incentive fee rate, hurdle and catch-up, and whether the BDC is internally or externally managed.		
8. Total fees as a share of NAV, computed from the base fee on gross assets, other expenses and the incentive fee, then again with interest on the debt added.		
9. The expected yield on the price you pay: annual NII per share, less the NAV per share you assume the loans will lose, divided by the price. A dividend paid above that figure adds nothing to the return.		
10. The cost of the BDC's own borrowing, and whether it is fixed or floating.		
BDC: each quarter		
1. NII per share, dividend per share, coverage.		
2. NAV per share and its change since purchase.		
3. Non-accruals.		
4. Price against NAV.		
BDC: before selling		
1. Split the gain so far into dividends received, NAV effect and discount effect. Decide which of the three you are selling on.		
2. If coverage has been below 100 percent for more than one quarter, ask whether the market has priced in a cut.		

5. An interval fund, evergreen fund or non-traded vehicle

Appendix B and Chapters 11 to 13. The exit is a promise to try: check your own calendar against the slowest row of the proration table (document 7).

Vehicle:		**Ticker or fund:**	
Reviewer:		**Date:**	

Check	Done	Figure or answer
Interval or evergreen fund: before buying		
1. The mechanism of exit: interval fund repurchase offers under Rule 23c-3, discretionary tender offers, or none. Read the size of each offer and the interval.		
2. The fund's history of proration: in which quarters requests exceeded the offer, and what share was filled.		
3. Your own calendar against the worst case: how many quarters to get half the position out, and how many to get almost all of it out, if requests run well above the offer.		
4. The fee table in the prospectus, with interest on borrowings shown as a line. Add management, other, servicing and incentive fees, then interest, and compare both totals with the distribution rate.		
5. The incentive fee: rate, hurdle, catch-up, and whether it is charged on income before or after credit losses.		
6. Leverage and the cost of the fund's borrowing.		
7. The valuation policy: who values the loans, how often, with what inputs, and whether an outside firm reviews the values.		
8. The distribution's sources: net investment income, capital gains, or return of capital, as the fund reports them.		
9. Any selling or servicing fee, and any adviser's wrap fee on top.		
Interval or evergreen fund: each quarter		
1. NII per share against the distribution: coverage.		
2. NAV per share and its trend.		
3. Any change in the repurchase offer, and any proration.		
4. Non-accruals and realized losses, as reported.		
Interval or evergreen fund: before selling		
1. Whether the next offer is likely to be prorated, and how many quarters the full exit could take.		
2. Whether a secondary sale is possible, and at what discount to NAV.		
3. The NAV at which the tender will be priced, and the date.		

6. The sum before the signature: gross to net, line by line

Chapter 13. Ashcombe's figures in grey for reference; fill in two vehicles of your own. Convert every fee to a percentage of NAV before comparing: a fee on gross assets costs (1 + leverage) times its rate.

Vehicle A:		**Vehicle B:**	
Reviewer:		**Date:**	

Line, percent of NAV	Ashcombe	Vehicle A	Vehicle B
Gross income on assets (asset yield x (1 + leverage))	17.94%		
Interest on the fund's borrowing (rate x leverage)	-4.69%		
Management fee (rate x (1 + leverage) if on gross assets)	-2.19%		
Other expenses and servicing fee	-0.85%		
= Pre-incentive net investment income	10.21%		
Incentive fee, on the actual income level (hurdle, catch-up)	-1.28%		
= Net investment income	8.94%		
Credit losses (PD x LGD x assets)	-1.75%		
= Expected total return	7.19%		
Adviser's wrap fee, if any	-1.00%		
= Expected return through the adviser	6.19%		
Displayed yield (distribution rate) for comparison	9.00%		
Fees excluding interest, % of NAV	4.31%		
Fees and interest, % of NAV	9.00%		

With a full catch-up and income above the hurdle, the incentive fee is simply its rate times all pre-incentive income (12.5% x 10.21% = 1.28%). Ashcombe's income would have to fall to 5.71% of NAV before the hurdle protected the investor at all.

7. The quarterly review page, and the gate calendar

Chapters 18 and 12. The seven figures worth reading each quarter, with the base path's values in grey; then the time to get out of a 5 percent interval fund as requests rise. Write the trigger beside each figure before the first purchase.

Portfolio:		**Quarter:**	
Reviewer:		**Date:**	

Figure	Q4 (base)	Q8 (base)	This quarter	Last quarter	Trigger
Corlett coverage (NII / dividend)	88%	104%			
Corlett NAV per share	$10.724	$10.329			
Ledgerwood coverage	103%	102%			
Tamsin coverage	105%	106%			
Ashcombe NAV per share	$24.534	$24.034			
Ashcombe NII coverage	97.9%	96.0%			
Brindle NAV per share	$9.895	$9.792			
Your line:					
Your line:					
Your line:					

Requests (share of fund)	Fill rate (5% offer)	Quarters to 50% out	Quarters to 90% out	Tolerable for my calendar?
5%	100.0%	1	1	
7.5%	66.7%	1	3	
10%	50.0%	1	4	
15%	33.3%	2	6	
20%	25.0%	3	9	
25%	20.0%	4	11	

Fill rate = offer / requests. Share still held after q quarters = (1 - fill)^q. A fund that uses the additional 2 percent of Rule 23c-3 at 20 percent requests fills 35 percent: 2 and 6 quarters instead of 3 and 9 (case two of the companion files).