

The Flat Rock CLO Equity Returns Index

Index Construction Methodology

Overview

The Flat Rock CLO Equity Returns Index seeks to measure the unlevered, gross of fee performance of US CLO equity tranches as represented by the market-weighted performance of the underlying assets of funds that publicly disclose their holdings and fair market values to the U.S. Securities and Exchange commission. The reporting funds satisfy certain eligibility criteria. The index inception date is September 30, 2014.

Valuation Dates

Calendar quarter-end

Weighting Methodology

Asset-weighted by reported fair market value

Index Reconstruction

The Index will be reconstituted typically within 75 calendar days, but no later than 90 calendar days, following the current Valuation Date.

If a fund meets the eligibility criteria, but has not filed its report on Form 10-K, 10-Q (or equivalent form), with the SEC at the time the index is reconstituted, asset information from its report will be included in the index at the time of the next reconstitution.

Eligibility Criteria

Eligible assets are CLO equity positions held by funds that meet the following criteria:

- Regulated by the SEC under the Investment Company Act of 1940
- Funds maintain a significant portfolio allocation to the equity of collateralized loan obligations
- File SEC form 10-Q (or 10-K, as applicable) within 75 (or 90) calendar days following the current Valuation Date

Availability

The index is calculated quarterly on a 75-day lag.

Index Inception Date

September 30, 2014

Base Value

100

Index Returns and Components

Total return, comprised of change in fair market value and distributions received during the period

Example:

Per SEC filings, The Flat Rock Opportunity Fund (FROPX) owns \$3,600,000 of the principal amount of Ares XLIX CLO, which has a total tranche size for the equity of \$51,600,000, giving FROPX 7% ownership of the equity tranche.

On 3/31/2020, FROPX marked this asset's fair market value at \$1,704,805.

During the second quarter of 2020, the CLO paid the equity tranche a total distribution of \$1,891,838 (information from Bloomberg or Intex). Flat Rock's 7% ownership of the equity tranche resulted in the asset yielding \$131,989 (7% * \$1,891,838) in distribution income for the quarter.

On 6/30/2020, FROPX marked this asset's fair market value at \$1,686,669. Quarter over quarter, the asset's fair market value declined.

To calculate the total quarterly return for Ares XLIX CLO, we take into consideration both the fair market value decrease and the distribution received. The calculation is as follows:

Flat Rock Opportunity Fund - Schedule of Investments				
	3/31/2020		6/30/2020	
	Principal	FMV	Principal	FMV
ARES XLIX CLO - Equity Notes	3,600,000	1,704,805	3,600,000	1,686,669

Obtained from FROPX public filings

Total Tranche Size	51,600,000
Total Q2 Distribution to Equity	1,891,838

FROPX % Ownership of Equity Tranche 7%

Calculation of Ares XLIX CLO Q2 2020 Return

$$\frac{6/30/2020 \text{ FMV}}{3/31/2020 \text{ FMV}} = \frac{(1,686,669 + (7\% * 1,891,838))}{(1,704,805)} - 1 = +7\%$$

FROPX Portion of Distribution to Equity

Obtained from Bloomberg or Intex, a CLO returns modeling software