



# VIRGO

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**VIRGO INVESTMENT GROUP LLC**  
AVIATION INVESTMENT OPPORTUNITY

# EXECUTIVE SUMMARY



# VIRGO INVESTMENT GROUP (VIRGO) AVIATION PLATFORM: ZEPHYRUS

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## FOCUSED INVESTMENT STRATEGY

- ❖ Acquire a portfolio of young to mid-life leased large commercial jet aircraft (greater than 100 seats)
- ❖ Invest in debt backed by commercial aircraft
- ❖ Seek fund returns of at least 15% that are largely non-correlated to market averages

## \$300 MILLION TARGET FUND SIZE

- ❖ Capitalize on COVID-19 related collapse in commercial aircraft prices in an essential long-term growth industry
- ❖ Take advantage of distress induced opportunities to realize premium returns

## EXPERIENCED TEAM WITH PROVEN TRACK RECORD

- ❖ Managed by Virgo and serviced by Zephyrus Aviation Capital (ZAC)
- ❖ ZAC leadership is ex-CIT, once the world's 3<sup>rd</sup> largest aircraft lessor; Team also has experience with other leading aircraft lessors
- ❖ Virgo, with \$1.8 billion of capital, has successfully invested in mid-life aircraft since 2009
  - ❖ Achieved a 22% net IRR to date on realized Zephyrus transactions with low correlation to broader market indexes
  - ❖ Projected to earn gross returns of 9 percent on its existing aircraft leasing platform, the Zephyrus Aviation Partners platform (ZAP), which began investing in 2018

## INVESTOR FRIENDLY

- ❖ Two-year investment period from final closing, permitted reinvestments, and four-year harvest period<sup>1</sup>
- ❖ European Style waterfall with no additional transaction fees and capped servicer fees approved by Virgo<sup>2</sup>
- ❖ Aligned interests
- ❖ Management fees at 1.5% of invested capital and carried interest of 15% after an 8% hurdle and full GP catch-up<sup>3</sup>
  - ❖ First close and size discounts are available

<sup>1</sup>Two optional one-year extensions, which may potentially enable higher realizations.

<sup>2</sup>Virgo has a controlling economic interest in ZAC. ZAC has agreed to provide the Fund with its services on a break-even basis whereby its fees are set at a level just sufficient to meet its budgeted working capital needs.

<sup>3</sup> Management fee is the greater of 1.5% of invested capital or 0.75% of committed capita during the Investment Period and 1.5% on invested capital thereafter.

# THE ZEPHYRUS OPPORTUNITY

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## 1 COVID-19 HAS CREATED ONE OF THE MOST PRONOUNCED AVIATION INDUSTRY DOWNTURNS AND DISTRESS CYCLES

- ❖ Mid-life aircraft market values have fallen by more than 40% (see page 5)
- ❖ New aircraft production rates were cut drastically and will not recover fully before 2023<sup>1</sup>
- ❖ Almost 45% of the world's fleet is still parked as of March 2021<sup>2</sup>

## 2 BUYING AT OR NEAR CYCLICAL LOWS IS A PROVEN INVESTMENT STRATEGY WITH APPEALING RISK/REWARD ATTRIBUTES

- ❖ Mid-life aircraft values have risen by more than 50% from previous cyclical lows (see page 5)
- ❖ Lease yields and spreads are believed to often be highest immediately after an industry downturn
- ❖ Better lessee (airline) credit quality and younger aircraft are now available in attractively priced investment opportunities

## 3 ZEPHYRUS TEAM EXPERTISE IS EXHIBITED BY ITS EXCEPTIONAL DOWNTURN MANAGEMENT

- ❖ The team has profitably navigated every industry downturn since the 1980s
- ❖ Existing portfolio performance ranks in the top quartile as evidenced by Zephyrus comparative ABS metrics<sup>3</sup>
- ❖ Zephyrus achieved a 26% gross IRR<sup>4</sup> from a March 2021 portfolio aircraft sale overcoming the COVID-19 induced collapse in used aircraft prices

## 4 TODAY'S ZEPHYRUS PIPELINE EXCEEDS \$1 BN REPRESENTING MAINLY EXCLUSIVE OR "HAND PICKED" ATTRACTIVE DEALS<sup>4</sup>

- ❖ Two March 2021 Zephyrus transactions were underwritten conservatively at 15%+ expected gross unlevered IRRs<sup>5</sup>, significantly better than pre-COVID-19 deals and having less risk due to younger aircraft, better airline credits and higher lease cash yields
- ❖ Zephyrus' deep industry relationships help source non-auction and one-off opportunities comprising the majority of this pipeline
- ❖ A pipeline more than three times larger than the \$300m targeted ZAP II size should translate to more disciplined deal selection

<sup>1</sup> Airline Economics, The Aviation Industry Leaders Report 2021: Route to Recovery, January 2021.

<sup>2</sup> Deutsche Bank research, Aviation Debt, Aviation Market Update, March 11th 2021.

<sup>3</sup> Deutsche Bank research, DB Securitization Research- The Outlook, March 23<sup>rd</sup>, 2021.

<sup>4</sup> Internal Zephyrus report based on desk-top appraised values.

<sup>5</sup> Gross IRR represents the gross internal rate of return on all cash flows (including co-investments from third parties) and include deal expenses and taxes paid by Owner/Lessor on the investment only and do not reflect Virgo's management fees, carried interest or Fund expenses, which will reduce returns and may be substantial.

# IMPACT FROM COVID-19

## COVID HAS MOVED THE DIAL ON OPPORTUNITIES IN THE MARKET

KEY METRICS	PRE-COVID	POST-COVID	DIFFERENCE
Average Acquired Aircraft Age	14.5 Years <sup>1</sup>	9.9 Years <sup>2</sup>	-4.6 Years
Purchase Price Benchmark	\$24.4m <sup>3</sup>	\$13.7m <sup>4</sup>	-\$10.7m or -44%
Rent Benchmark	\$216K <sup>5</sup>	\$160K/ \$339K <sup>6</sup>	-\$46K or -26%
Lease Rate Factor	0.94	1.17/ 2.47 <sup>7</sup>	+23 BP's
Remaining Lease Term	2.5 Years	0.5 years <sup>8</sup>	-2.4 Year
Credit Quality <sup>9</sup>	6 (Average of fleet)	4 <sup>10</sup>	+2 tiers
Debt Availability	Over 90% advance rates available from non-bank sources such as an ABS <sup>11</sup> ; Bank debt available at advance rates of 80% for younger narrowbodies. <sup>12</sup>	70% advance rate available from non-bank sources. No bank debt believed to be available for the types of transactions being pursued. <sup>13</sup>	-20 pct. points
Debt Interest Rates	4.5% for senior ABS Debt. <sup>14</sup> 5.1% for junior ABS Debt. <sup>15</sup> 3% for Warehouse.	7% for non-bank sources. <sup>16</sup>	(Senior) +2.5 to +4.0 pct. points (Junior) +1.9 pct. points
Base Case Unlevered IRR	8.8% <sup>17</sup>	16.7% <sup>18</sup>	+7.9 pct. Points

<sup>1</sup> Average age of narrowbody aircraft purchased by ZCAP 2018-1.

<sup>2</sup> Based on an actual deal which closed in February 2021.

<sup>3</sup> Appraisal value for a 10-year-old A320-200 as of January 2020, IBA, IBA IQ.

<sup>4</sup> Purchase price for a 9.9-year-old A320-200 by Zephyrus in February 2021.

<sup>5</sup> Lease rental benchmark for a 10-year-old A320-200 as of January 2020, IBA, IBA IQ.

<sup>6</sup> Base case lease rental assumption on a 9-year-old A320-200 based on current market conditions.

<sup>7</sup> Base case and actual Lease Rate Factor for a 9.9-year-old A320-200.

<sup>8</sup> Actual time remaining on a recent A320-200 transaction which closed in February 2021 (based on September 2020 ECD). With younger aircraft, we expect release terms to lengthen but we also expect remaining lease terms to shorten.

<sup>9</sup> Zephyrus uses a rating system of 1-10 for credit quality. 1 being the best quality, 10 being the worst.

<sup>10</sup> Credit score of Lessee involved in recent transaction referenced herein.

<sup>11</sup> AASET 2020-1 had an 83.5% advance rate versus maintenance adjusted base value (MABV) appraisals according to Kroll Bond Rating Agency. Zephyrus believes that most lessors acquire aircraft at purchase prices that are approximately 10% or more below the MABV.

<sup>12</sup> Zephyrus warehouse facility provides advance rates of 80% for narrowbody aircraft with good credits.

<sup>13</sup> Based on recent discussions with a prospective lender assuming net purchase price as the collateral value.

<sup>14</sup> Based on interest rate of ZCAP 2018-1 A Tranche.

<sup>15</sup> Based on interest rate of TBOLT 2018-1 B Tranche.

<sup>16</sup> Based on recent discussions with a prospective lender on proposals made to Zephyrus.

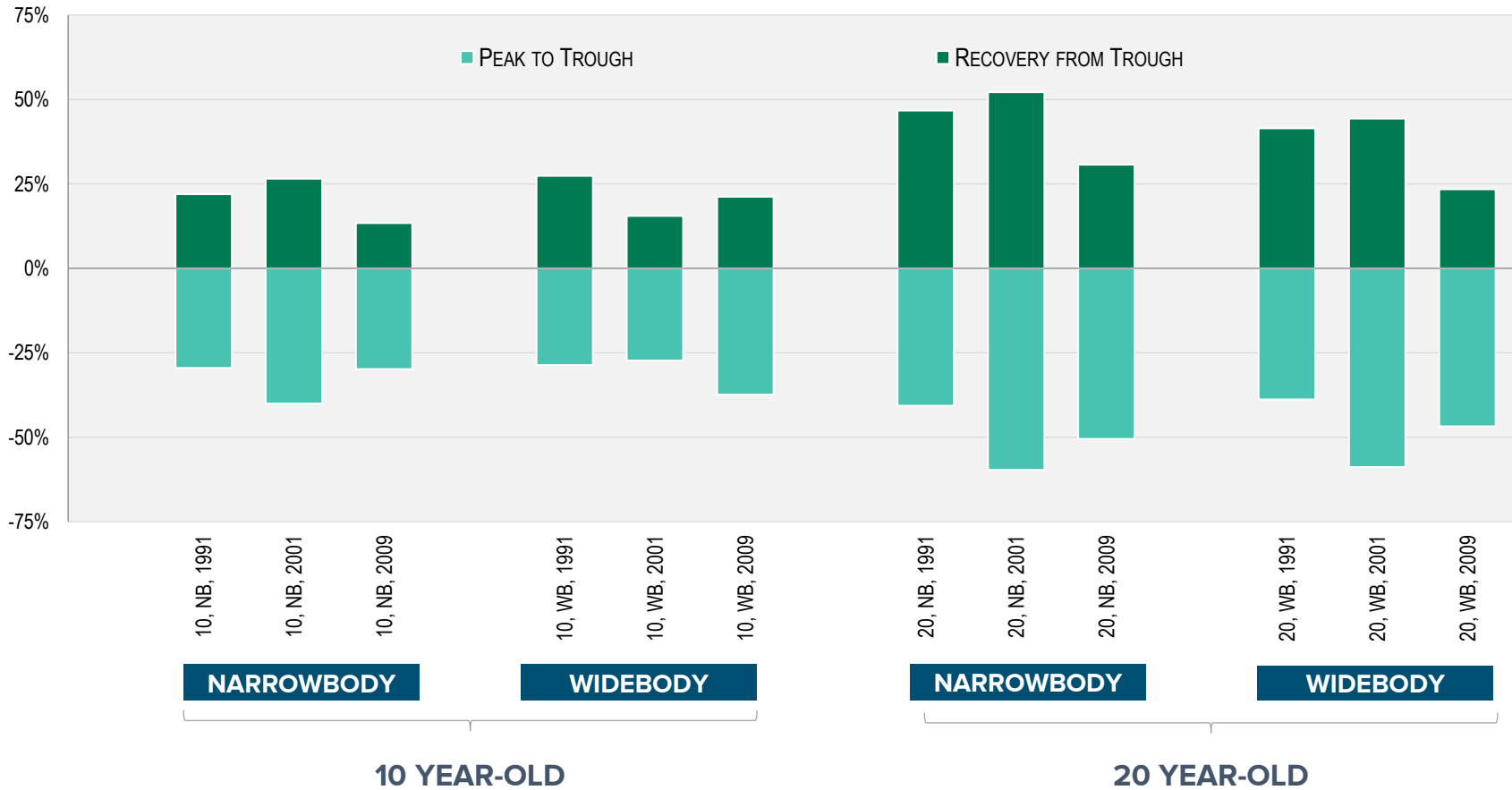
<sup>17</sup> Based on Zephyrus deal in December 2019 for a 9-year-old A321-200 with a good credit airline.

<sup>18</sup> Based on current Zephyrus deal in February 2021 for a 9.9-year-old A320-200 with a good credit airline.

# DOWNTURNS CAUSE LARGE FALLS IN VALUES THAT REBOUND WITH RECOVERY

- ✦ Aircraft values have shown consistent recoveries after economic downturns

**AVERAGE APPRAISED VALUE BEHAVIOR DURING PRIOR DOWNTURNS<sup>1</sup>**



<sup>1</sup> Covid-19: Implications for Lessors, Alton Consultancy, December 2020.

# VIRGO/ZEPHYRUS EXPERIENCE

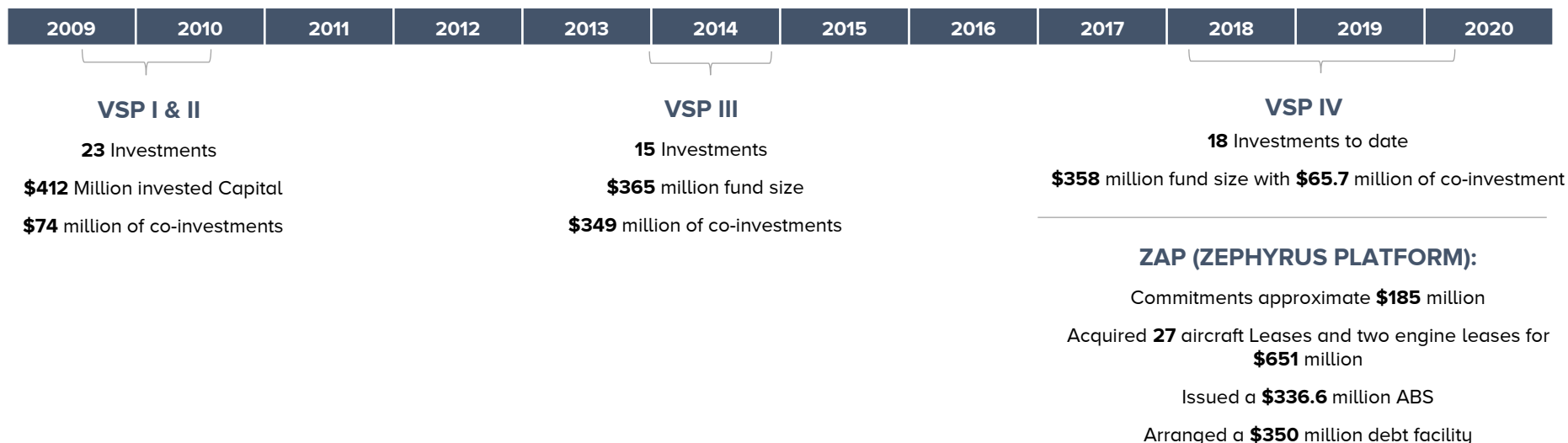


# VIRGO: A MIDDLE-MARKET THEMATIC INVESTMENT FIRM

- ❖ Founded in 2009 and based in the San Francisco Bay Area
- ❖ Team of 50\* professionals with decades of investment, business operations and company building experience
- ❖ Core industries include: Aviation & Aerospace, Healthcare, Media, Wellness, Real Estate and Specialty Finance
- ❖ Focus on both asset-based platforms such as Zephyrus and growth equity investments in innovative and disruptive companies
- ❖ Established track record of building and transforming businesses
- ❖ Long-standing industry relationships within Virgo's core industries via its Operating Partner network

## FIRM TIMELINE

VIRGO HAS COMPLETED 65 INVESTMENTS AND RAISED OVER \$1.8 BILLION<sup>1</sup> TO DATE



<sup>1</sup> includes managed fund and co-investment capital.

\* Includes Zephyrus Aviation Capital, Stonegate Capital, and Kavanah Real Estate, affiliates of Virgo.



# ZEPHYRUS AVIATION CAPITAL (ZAC)

## VIRGO HAS CREATED A SKILLED AIRCRAFT LEASE MANAGER/SERVICER



**Full service, turnkey standalone aircraft asset manager launched and owned by Virgo**

### TOP TIER MANAGEMENT

- ❖ Recognized leadership with experience at leading industry lessors including CIT, Apollo Aviation, Castlelake and Avolon

### STRONG PERFORMANCE

- ❖ Virgo's Zephyrus strategy generated a 22% net IRR life-to-date
- ❖ 2018-vintage ABS performance ranking in the top quartile per DB research<sup>1</sup>
- ❖ ZAP I projected to generate a Gross IRR of 9 percent and a Gross MOIC of 1.7x

### DISCIPLINED GROWTH

- ❖ Smaller Fund sizes by design to facilitate a culture of disciplined asset selection and management – closed on just 2% of all shown deals in 2019

### RISK MANAGEMENT & CONTROLS

- ❖ Proprietary internal airline credit scoring system
- ❖ institutional level risk management focused on downside protection

### ALIGNED STAKEHOLDER INTERESTS

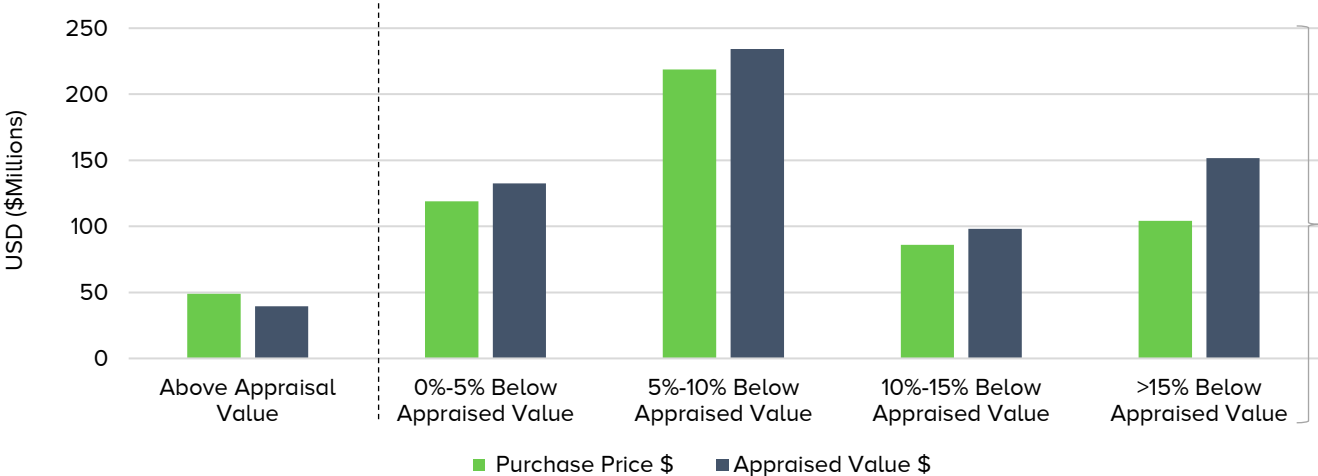
- ❖ Shared ownership with management and large Fund investors that drives partnership in growing the platform

<sup>1</sup> Deutsche Bank, ABS Market Update, February 2021.

# BUY ASSETS ATTRACTIVELY TAKING ADVANTAGE OF DISTRESS CONDITIONS

- ❖ **ZAC has developed a proprietary network for originating transactions**
  - ❖ Airline coverage responsibilities are assigned and managed.
  - ❖ Lessee & other aircraft owners contacted systematically.
- ❖ **ZAC's team has extensive experience with an outstanding reputation**
  - ❖ Team has bought, sold and leased more than 1,000 aircraft collectively
  - ❖ Team has managed aviation assets successfully through several downturns.
- ❖ **ZAC and Virgo are adept at structuring transactions in all market conditions, especially distress environments**
  - ❖ Interact regularly with financiers, manufacturers, appraisers, brokers
  - ❖ Streamlined processes enable rapid investment decisions and closings, if needed
- ❖ **ZAC has committed funding**
  - ❖ Rarely uses financing contingencies

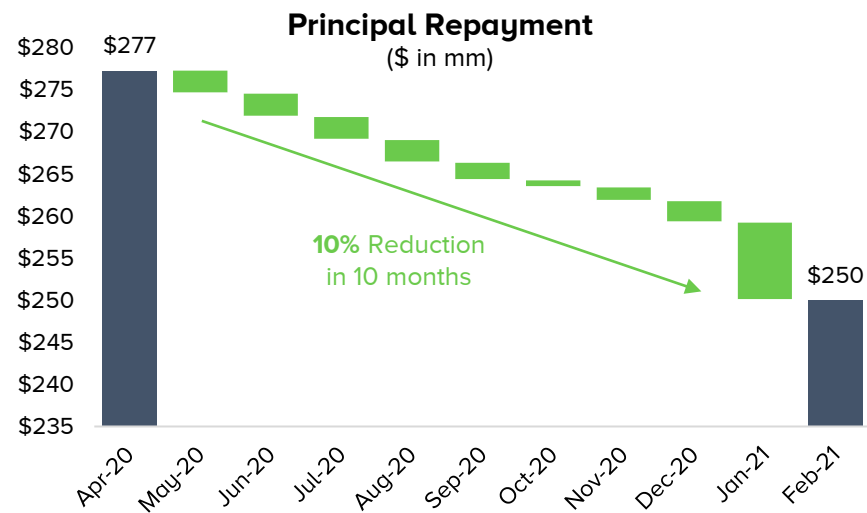
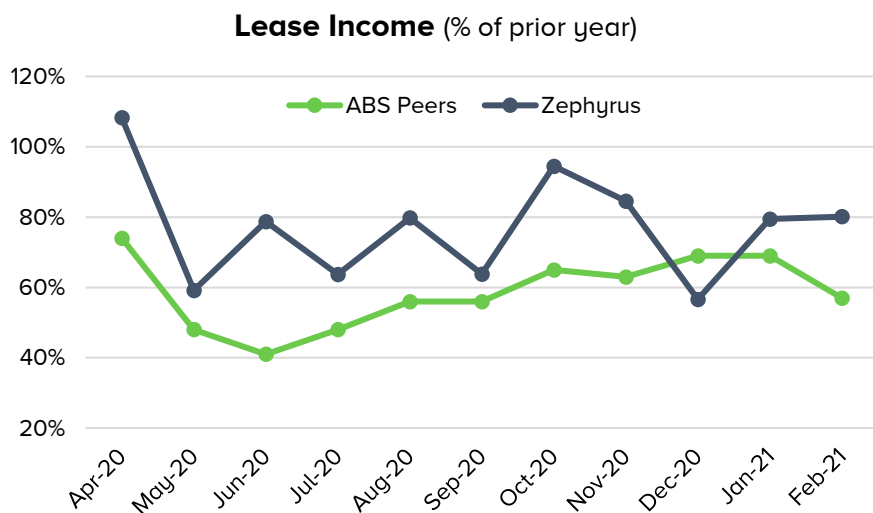
ZAP TRANSACTIONS



On average, ZAP's assets were acquired at prices that were 11% below appraised value.

Source: Virgo analysis of ZAP transactions

# STRONG PERFORMANCE RELATIVE TO ABS PEERS



## Missed A-Tranche Principal Payments – 2018 Vintage Peers

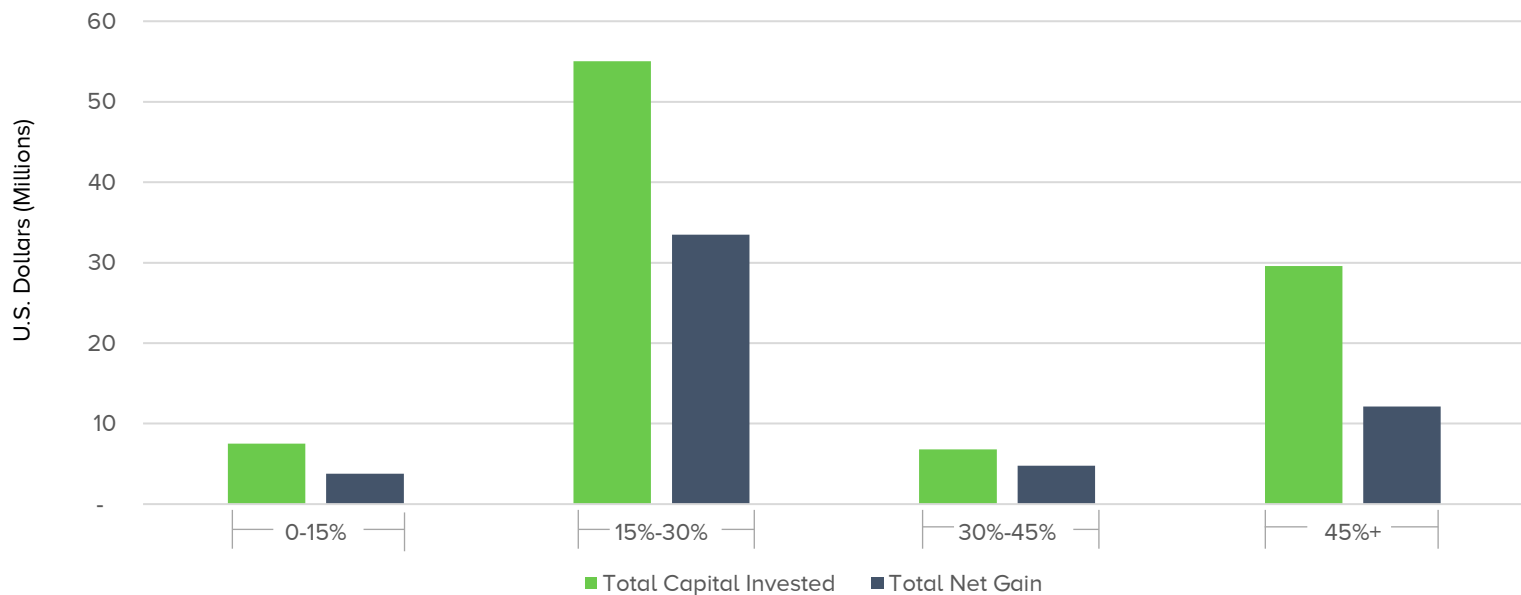
X Missed Payment - Payment Made

	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
<b>ZCAP 18-1</b>	-	-	-	-	-	-	-	-
ABS Peer 1	-	-	-	-	-	-	-	X
ABS Peer 2	-	-	X	X	X	X	-	X
ABS Peer 3	X	X	X	X	X	-	-	-
ABS Peer 4	-	X	X	X	X	X	X	X
ABS Peer 5	X	X	X	X	X	-	-	-
ABS Peer 6	-	-	-	-	-	-	-	-
ABS Peer 7	-	-	-	-	-	-	-	-
ABS Peer 8	-	-	-	-	-	-	-	-
ABS Peer 9	-	X	X	X	X	X	X	X

# ZEPHYRUS STRATEGY: STRONG ABSOLUTE RETURNS WITH FAVORABLE RISK/ RETURN CHARACTERISTICS

- ❖ Virgo has invested in mid-life aircraft opportunities worth over \$819 million since 2009<sup>1</sup>
- ❖ Virgo believes that its Zephyrus aviation strategy focusses on the least efficient, best risk/ reward segments of the market
- ❖ Realized investment results show demonstrated downside protection, high asymmetric returns and positive return dispersion

## NET IRR ON VIRGO ZEPHYRUS AVIATION REALIZED TRANSACTIONS (2009-2021)



<sup>1</sup> Virgo analysis of Zephyrus Strategy track record, based on Aircraft & Equipment total cost.

# ZEPHYRUS RETURNS: LOW CORRELATION WITH BROAD MARKET INDEXES

## VIRGO ZEPHYRUS AVIATION REALIZED TRANSACTIONS (2009-2020)

Market Index	Correlation Coefficient
U.S. CORPORATE INVESTMENT GRADE BONDS (ICE BofA)	(0.28)
HIGH YIELD BONDS (ICE BofA)	0.07
FTSE ST REAL ESTATE	0.01
S&P 500	0.19
RUSSELL 2000	0.24
MSCI WORLD	0.21

**VIRGO'S ZEPHYRUS STRATEGY REALIZED TRANSACTIONS GENERATED AN AVERAGE NET IRR OF 22% AND MOIC OF 1.4X**

Source: Virgo Analysis, July 2020.

# OPPORTUNITIES & OUTLOOK: MID-LIFE AIRCRAFT LEASING

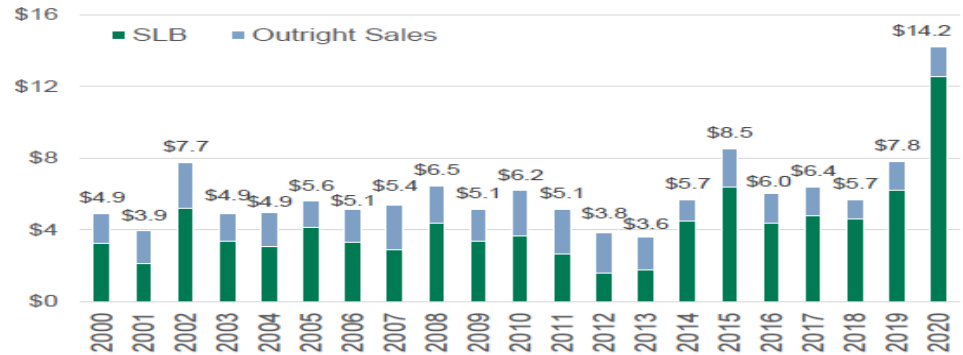


# LARGE ADDRESSABLE MARKET

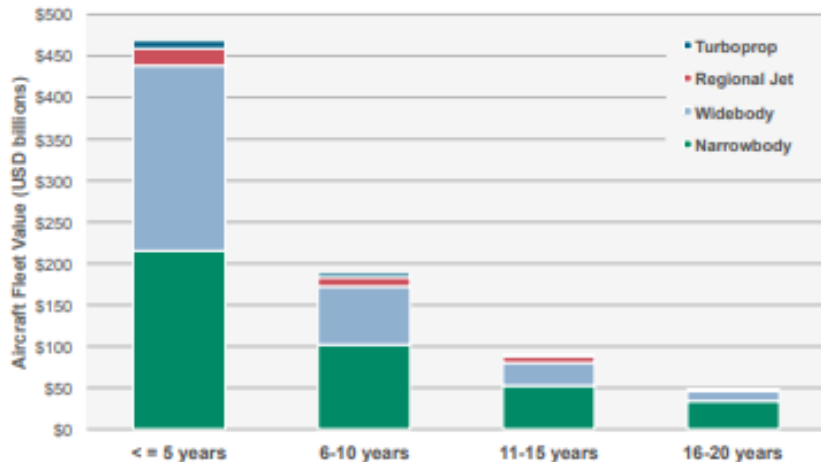
- ❖ The aggregate market value of mid-life aircraft (pre-Covid-19) exceeded \$300 billion.
- ❖ Lessors owned almost half of that value, with lessors owning 55% of the narrow-body fleet<sup>1</sup>.
- ❖ Secondary market lease transactions approached \$45 billion in the peak year.
- ❖ Virgo expects continuing opportunities to acquire in-demand leased aircraft as both airlines and lessors are expected to raise cash as part of the industry's Covid-19 recovery program.

## HISTORICAL SECONDARY MARKET TRANSACTIONS<sup>1</sup>

Airlines' Sold Aircraft on Secondary Market by Type  
(in US\$ Billions\*)

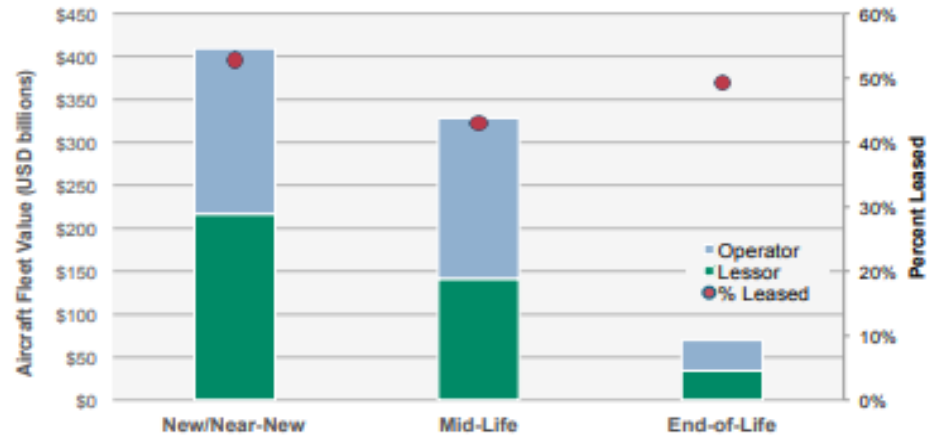


## 2019 WORLDWIDE COMMERCIAL AIRCRAFT FLEET VALUE BY AIRCRAFT AGE<sup>1</sup>



Source: Alton Aviation Consultancy analysis; CAPA Fleet Database

## FLEET OWNERSHIP SPLIT VERSUS AIRCRAFT AGE<sup>1</sup>



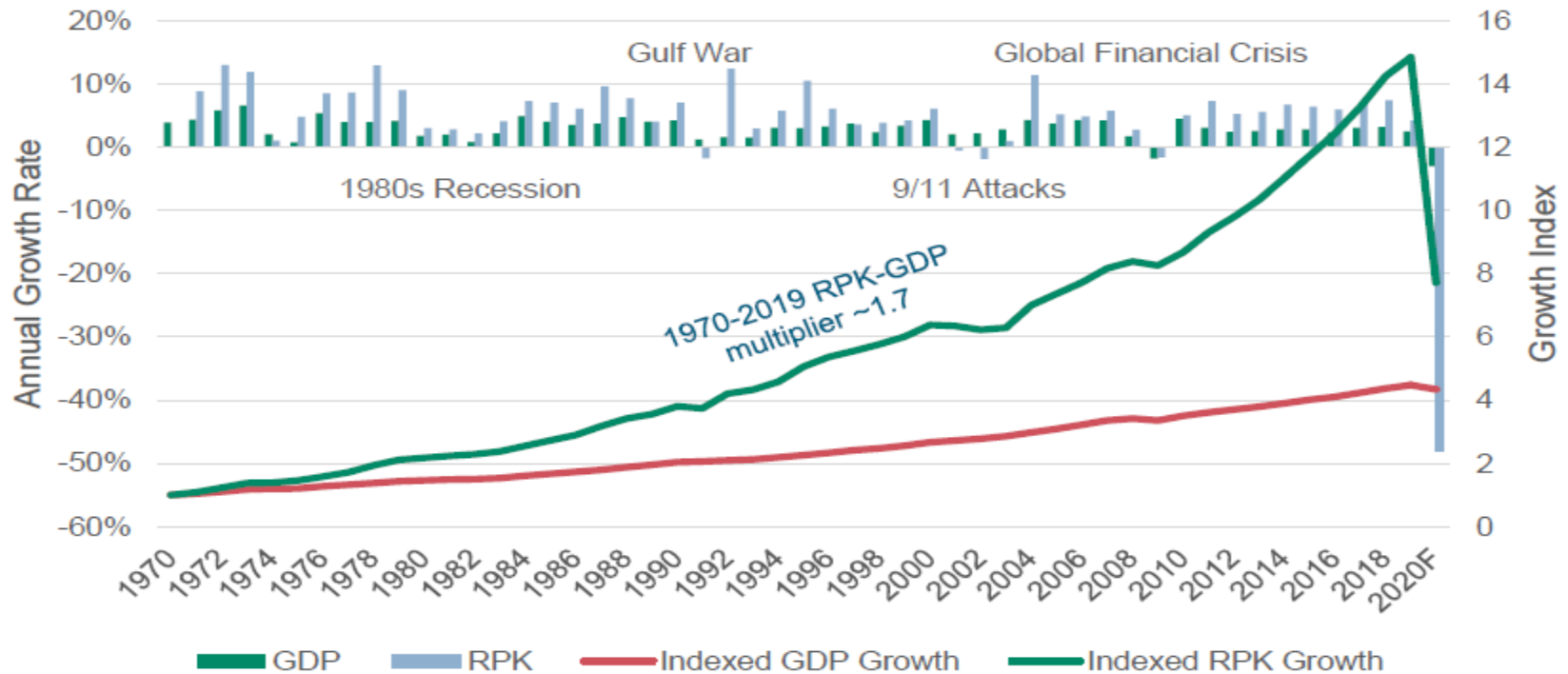
Source: Alton Aviation Consultancy analysis; CAPA Fleet Database

<sup>1</sup>) Alton Aviation Consultancy/ AirFinance Journal, AirFinance Annual, 2019/ 2020

# SOME PROJECTIONS SHOW INDUSTRY RECOVERY FROM COVID-19 BY 2024

- ✦ Air traffic growth is highly correlated with economic activity.
- ✦ Air traffic has been resilient, bouncing back in one to three years in the most recent previous downturns.
- ✦ Some forecasts project demand and supply to recover by 2023<sup>1</sup>.
- ✦ Virgo believes that the investment period of Zephyrus Aviation Partners II (ZAP II) will overlap much, if not all, of the industry's expected cyclical low period. Virgo also believes that used aircraft prices should strengthen in ZAP II's harvest period assuming this recovery resembles previous ones.

## HISTORICAL OVERVIEW OF AIR TRAFFIC AND GDP GROWTH<sup>2</sup>



<sup>1</sup>) The Airline Monitor, A Review of Trends in the Airline and Commercial Jet Aircraft Industries, June 2020 edition

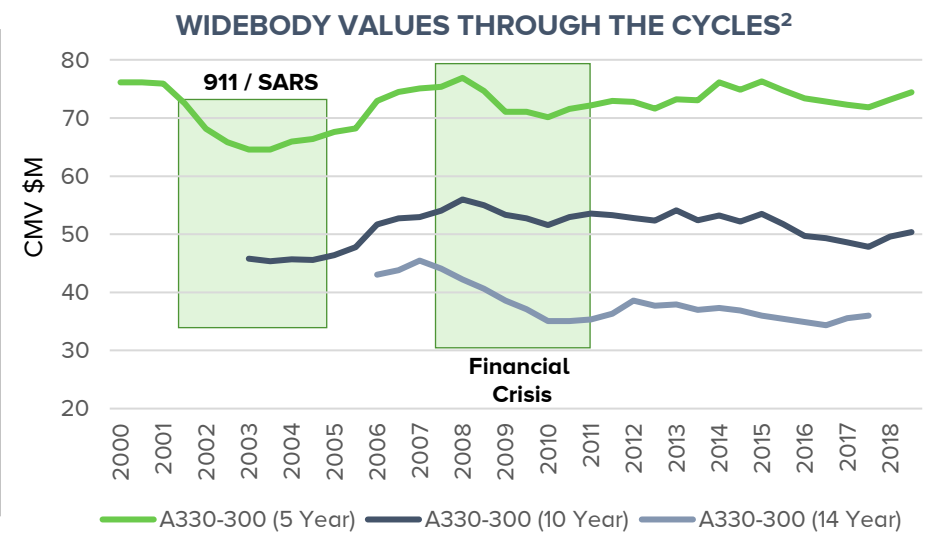
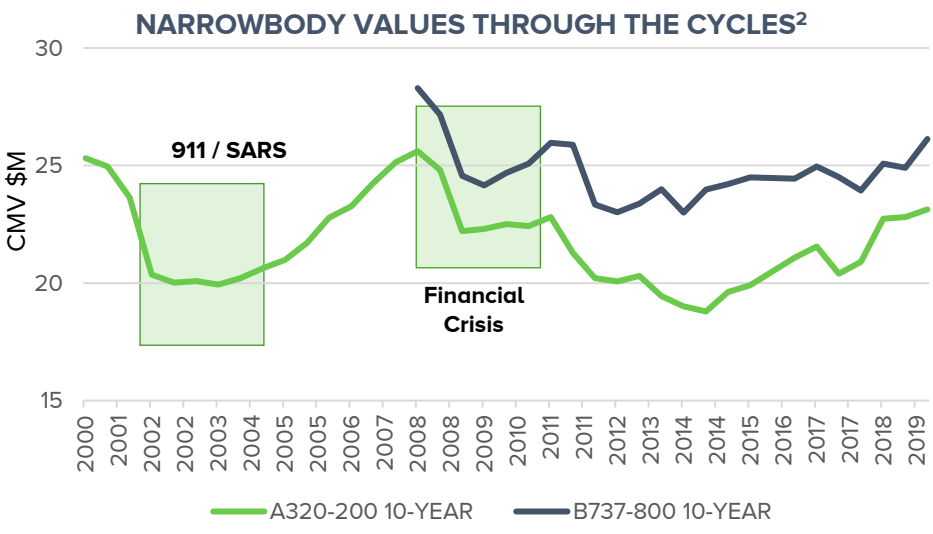
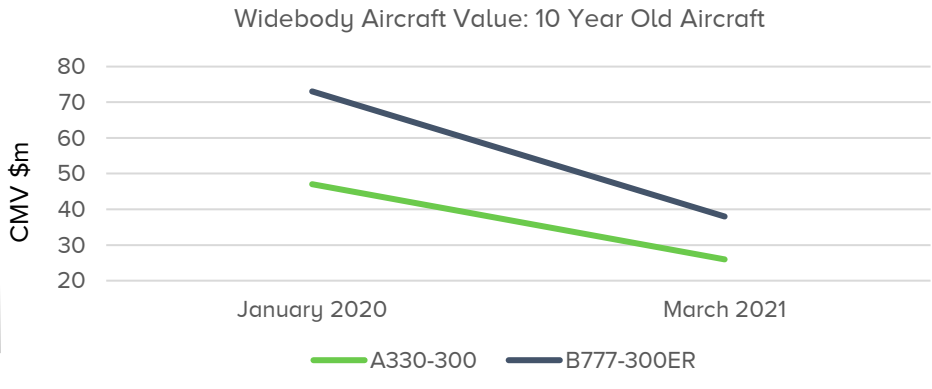
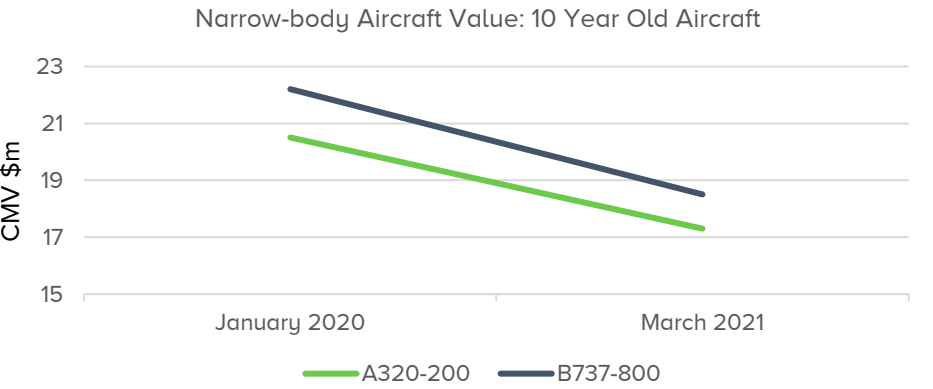
<sup>2</sup>) Alton Aviation Consultancy/ AirFinance Journal, AirFinance Annual, 2020/ 2021



# MID-LIFE AIRCRAFT VALUES HAVE COLLAPSED, BUT HISTORICALLY RECOVER

- ❖ Appraisers say narrow-body 10-year-old CMV's have dropped 15%-20% with widebody CMV's falling 40%-50% through March 2021<sup>1</sup>
- ❖ Historically, aircraft CMV's have been cyclical. CMV's of in-demand models have always rebounded.
- ❖ Typically, narrow-body CMV's recover before widebody CMV's

## COVID-19 IMPACT ON CURRENT MARKET VALUE (CMV)<sup>1</sup>



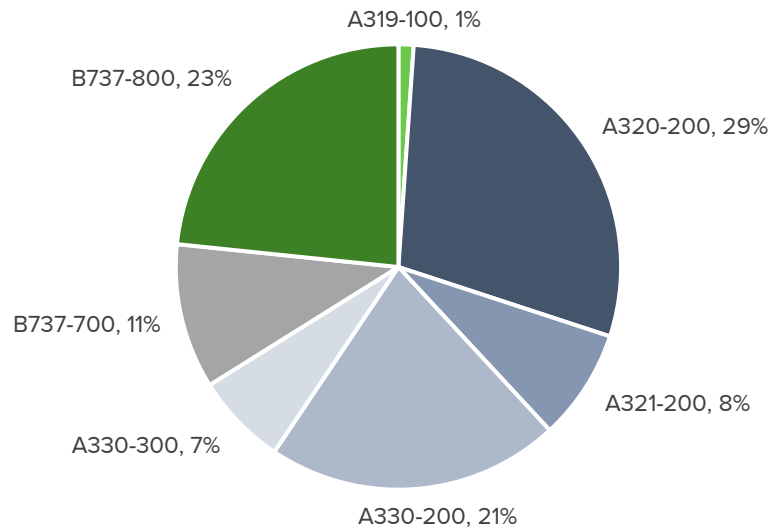
1) Ishka, *Transaction Situation Report*, 25 March 2021. Ishka also indicates that it expects to make further downward adjustments. Some other appraisers are showing larger declines.  
 2) IBA IQ & Virgo research, August 2020.

# PORTFOLIO CONSTRUCTION CONSIDERATIONS



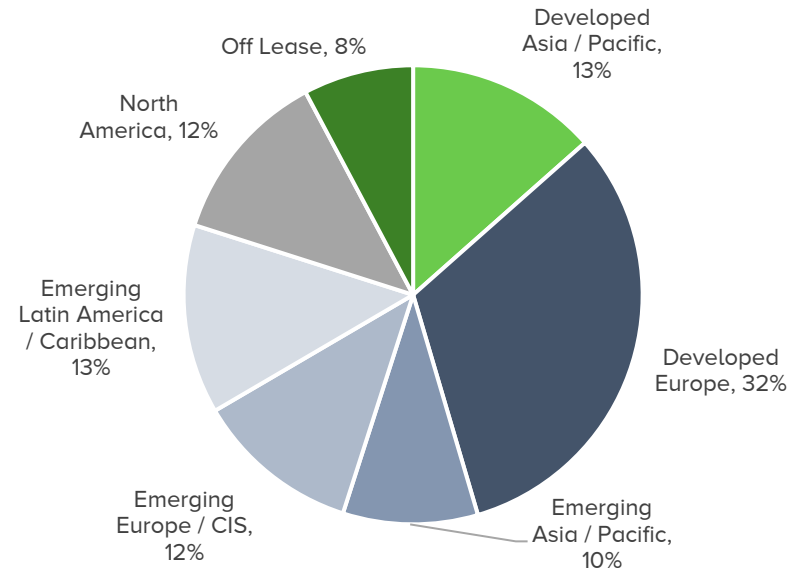
# MITIGATE RISK THROUGH ASSET SELECTION AND DIVERSIFICATION

## ZAP PORTFOLIO BY TYPE



**Focus on ubiquitous models, with large installed bases, ideally still in production.**

## ZAP PORTFOLIO BY GEOGRAPHIC DISTRIBUTION



**Seek jurisdictions subject to Cape Town Convention protocols or strong lessee / credit rights**

Note: Based on Net Book values as at 31 March 2021.

# VIRGO/ZEPHYRUS LEADERSHIP



# ZAP II LEADERSHIP

## ZAP II INVESTMENT COMMITTEE

**Mark  
Perez**  
Virgo Partner

**Jesse  
Watson**  
Virgo Founder

**Gary  
Krauthamer**  
Virgo Partner



## ZEPHYRUS AVIATION CAPITAL (SERVICER)

**Tony  
Diaz**  
Non-Exec Chairman

**Damon  
D'Agostino**  
President & CEO

**David  
Treitel**  
Senior Vice President

**Richard Genge**  
Director- Fleet Strategy

**Susan  
Geitzenauer**  
Chief Operating Officer

**Robert  
Meade**  
Chief Commercial Officer

**David Gleeson**  
Director- Technical

**Aileen McElroy**  
Director

# ZAP II TERMS SUMMARY



# ZEPHYRUS AVIATION PARTNERSHIP II FUND SUMMARY

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<b>PARTNERSHIP TARGET SIZE</b>	\$300 million
<b>SUBSCRIPTION PERIOD END DATE</b>	Nine months after first close; targeting Second Quarter 2021 for first close
<b>INVESTMENT PERIOD END DATE</b>	December 2023 <sup>1</sup> , with a six-month extension at the GP's option
<b>TERM END</b>	December 2027 <sup>1</sup> , with a one-year extension at the GP's option and another one-year extension with Advisory Board approval
<b>MANAGEMENT FEE</b>	During the Investment Period, greater of 0.75% on Committed Capital or 1.5% on Invested Capital; Post the Investment Period, 1.5% on invested capital
<b>MINIMUM SUBSCRIPTION</b>	\$5 million
<b>INCENTIVE FEE</b>	15% after a preferred return of 8%, with a full GP catch-up
<b>GP COMMITMENT</b>	Including affiliates, the lesser of 1% of the fund total commitment or \$3 million
<b>TARGET RETURNS</b>	Net Target IRR > 15.0%/ Net Target MOIC > 1.7x
<b>AUDITOR</b>	Deloitte & Touche
<b>COUNSEL</b>	Seward & Kissel LLP

<sup>1</sup>Assumes a final close in December 2021. An earlier or later final close would change this date similarly

# APPENDIX





# ZAC DIFFERENTIATORS

## ACTIVE MANAGEMENT AND VALUE CREATION ACROSS THE PLATFORM



### 1 SOURCING

- ❖ Focus on non-auction deals
- ❖ “Create” opportunities directly with airlines and forced sellers relying on deep industry relationships
- ❖ Use technical and asset management expertise to acquire assets below intrinsic value

### 2 INVESTMENT ANALYSIS

- ❖ Proprietary pricing tools
- ❖ Portfolio diversification lowers volatility
- ❖ In-house technical team supports business development and asset management

### 3 LEASE ADMINISTRATION

- ❖ Active airline relationship management – higher touch increases cash collections
- ❖ Rigorous contract compliance and lease oversight increases profits

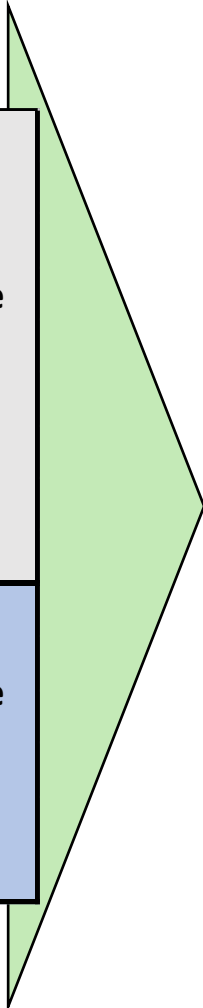
### 4 EXIT STRATEGY

- ❖ Evaluate multiple exit options dynamically throughout the holding period – aircraft releasing, trading, parts sales
- ❖ Opportunistic approach, focused on market timing and optimizing Fund returns on an individual aircraft basis

# ROBUST PIPELINE

AGGREGATE OPPORTUNITIES EXCEED \$1 BILLION – MOST EITHER EXCLUSIVE OR “INVITATION ONLY”

<b>All Lessor Opportunities (No Current Airline Opportunities) 86 Aircraft*</b>	<u><b>81 Narrowbody</b></u> A319 (5) A320 (31) A321 (8) B737-7 (6) B737-8 (29) B737-9M (2)	15 Broad RFP	4.1 Years Average Lease Term Remaining
		64 Targeted RFP	
		2 Exclusive RFP	
	<u><b>5 Widebody</b></u> A330-3 (1) B787-8 (3) B777-3ER (1)	3 Broad RFP	6.8 Years Average Lease Term Remaining
		2 Targeted RFP	
		0 Exclusive RFP	



\*An NDA is currently being finalized with an airline for An A320ceo SLB opportunity.

**As of 26 May 2021**

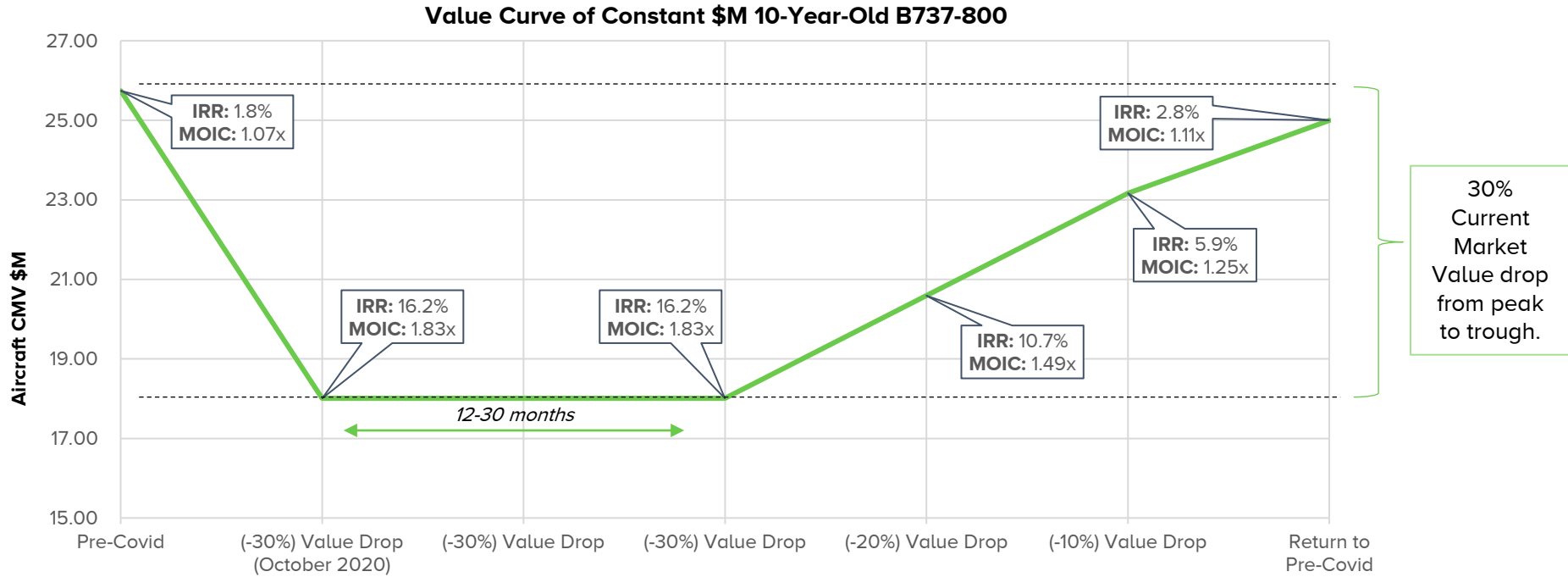
# DEAL ECONOMICS: ILLUSTRATIVE 4-YEAR DEAL

			No Supplemental Rent				With Supplemental Rent					
			% of Basis		Annual Cash Flow		% of Basis		Annual Cash Flow			
			Low	High	Low	High	Low	High	Low	High		
Annual Cash Yield	<b>Purchase Price</b>	<b>\$100.0</b>	<b>Unlevered Asset Yield</b>		12%	15%	\$12.0	\$15.0	18%	24%	\$18.0	\$24.0
	Less: Debt	(\$60.0)	Debt Interest Expense		5%	6%	(\$3.0)	(\$3.6)	5%	6%	(\$3.0)	(\$3.6)
	<b>Equity Basis</b>	<b>\$40.0</b>	<b>Levered Equity Yield</b>		23%	29%	\$9.0	\$11.4	38%	51%	\$15.0	\$20.4
	Less: Annual Debt Amortization											
	<b>Equity Basis</b>	<b>\$40.0</b>	<b>Cash Yield</b>		7%	8%	<b>\$2.8</b>	<b>\$3.2</b>	<b>22%</b>	<b>31%</b>	<b>\$8.8</b>	<b>\$12.2</b>
Illustrative Four-Year Deal	<b>Cash Yield</b>	<b>7% to 8% Annual Cash Yield</b>				<b>\$11.2</b>	<b>\$12.8</b>			<b>\$35.2</b>	<b>\$48.8</b>	
	Asset Value	2% to 3% annual asset depreciation <sup>1</sup>				\$91.2	\$86.4			\$79.2	\$68.4	
	Debt	10% to 14% annual debt amortization				(\$35.2)	(\$27.2)			(\$35.2)	(\$27.2)	
	Equity Value	Equity Appreciation				\$56.0	\$59.2			\$44.0	\$41.2	
	<b>Incremental Profit</b>	<b>10% to 12% Incremental Annual Profit Potential</b>				<b>\$16.0</b>	<b>\$19.2</b>			<b>\$4.4</b>	<b>\$1.2</b>	
	<b>Total Value Creation</b>	<b>Cash Yield + Incremental Profit</b>				<b>\$27.2</b>	<b>\$32.0</b>			<b>\$39.6</b>	<b>\$50.0</b>	
			<b>Gross IRR</b>		<b>17%</b>	<b>20%</b>			<b>28%</b>	<b>38%</b>		
			<b>Gross MOIC</b>		<b>1.7x</b>	<b>1.8x</b>			<b>2.0x</b>	<b>2.3x</b>		

Cumulative cash yield over an illustrative four-year period.

<sup>1</sup> 1/2 of annual supplemental rent assumed to erode value; 12% in low case and 18% in High Case.

# ZAP II: TIMED TO BENEFIT FROM INDUSTRY DISTRESS AND CYCLICAL BOTTOM



Key Assumptions					
YEAR	Pre-Covid	(-30%) Value Drop	(-20%) Value Drop	(-10%) Value Drop	Return to Pre-Covid
Deal Length	5 Year	5 Year	5 Year	5 Year	5 Year
Purchase Price (\$000)	\$25,740 <sup>1</sup>	\$18,010	\$20,592	\$23,166	\$25,000
Rent	\$232,000	\$175,000	\$192,000	\$211,000	\$225,000
Net Maintenance Reserves	\$17,500	\$17,500	\$17,500	\$17,500	\$17,500
Exit Price Including EOLA (\$000)	\$14,610	\$14,610	\$14,610	\$14,610	\$14,610

<sup>1</sup>) IBA IQ, December 2020 Value, 10-Year-old B737-800.

# CASE STUDY: CURRENT MARKET OPPORTUNITY

## 10-YEAR-OLD AIRCRAFT ACQUIRED ON LEASE WITH IG CREDIT AIRLINE AT SIGNIFICANT MARKET DISCOUNTS

<p><b>Asset Overview</b></p>	<ul style="list-style-type: none"> <li>2x 2011 A320-200 aircraft on lease to a prominent investment grade European ultra-low cost carrier</li> <li>Net purchase price of \$29mm for both aircraft with leases generating a c. 24% cash-on-cash yield</li> <li>Lease terms end in March 2021 and April 2022 respectively, with both aircraft required to be redelivered in full-life maintenance condition</li> </ul>						
<p><b>Acquisition Details</b></p>	<ul style="list-style-type: none"> <li>Motivated Asian seller with no aircraft redelivery / remarketing expertise and a strong desire to sell both aircraft before the end of their lease terms</li> <li>Zephyrus had a pre-existing relationship with the seller's representative and was able to expand the transaction from one to two aircraft on a bi-lateral basis – potential for two more aircraft from this seller</li> <li>Purchase price represents a c. 40% discount to post-COVID-19 appraisal values / structured as an unlevered deal</li> </ul>						
<p><b>Base Case Underwriting</b></p>	<ul style="list-style-type: none"> <li>Net purchase price is lower than part-out values plus remaining lease payments</li> <li>Base case underwriting assumes the redelivered aircraft are stored for two years before released</li> </ul> <table border="1" data-bbox="386 821 981 985"> <tr> <td><b>Gross IRR (unlevered)<sup>1</sup></b></td> <td><b>15%<sup>2</sup></b></td> </tr> <tr> <td><b>Gross MOIC (unlevered)<sup>1</sup></b></td> <td><b>1.6x<sup>2</sup></b></td> </tr> <tr> <td><b>Duration (years)</b></td> <td><b>c. 4</b></td> </tr> </table> <div data-bbox="1097 821 1845 982" style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p><b>Assumes 2-3 year recovery for an in-demand aircraft at rent nearly 30% lower than pre-pandemic levels / upside via earlier release and/or higher release rents</b></p> </div>	<b>Gross IRR (unlevered)<sup>1</sup></b>	<b>15%<sup>2</sup></b>	<b>Gross MOIC (unlevered)<sup>1</sup></b>	<b>1.6x<sup>2</sup></b>	<b>Duration (years)</b>	<b>c. 4</b>
<b>Gross IRR (unlevered)<sup>1</sup></b>	<b>15%<sup>2</sup></b>						
<b>Gross MOIC (unlevered)<sup>1</sup></b>	<b>1.6x<sup>2</sup></b>						
<b>Duration (years)</b>	<b>c. 4</b>						
<p><b>Conclusion</b></p>	<ul style="list-style-type: none"> <li>The deal reflects COVID-19-induced market changes where mid-teens expected unlevered returns are available from transactions involving younger aircraft on lease to better credits</li> <li>No principal at risk given the discounted purchase price and high lease cash yield with strong exit optionality due to the underlying aircraft quality and fungibility</li> <li>Line of sight to substantial upside: a faster than anticipated market recovery and/or back leverage</li> </ul>						

<sup>1</sup>Gross IRR represents the gross internal rate of return on all cash flows (including co-investments from third parties). Gross MOIC represents the gross multiple of invested capital on all cash flows (including co-investments from third parties). The gross IRR and gross MOIC include deal expenses and taxes paid by Owner/Lessor on the investment only and do not reflect Virgo's management fees, carried interest or Fund expenses, which will reduce returns and may be substantial.

<sup>2</sup> The aircraft's actual acquisition price was lower than considered in the underwriting. The lower acquisition price increase gross IRR and gross MOIC to 17% and 1.7x respectively.

# CASE STUDY: ACTIVE ASSET MANAGEMENT

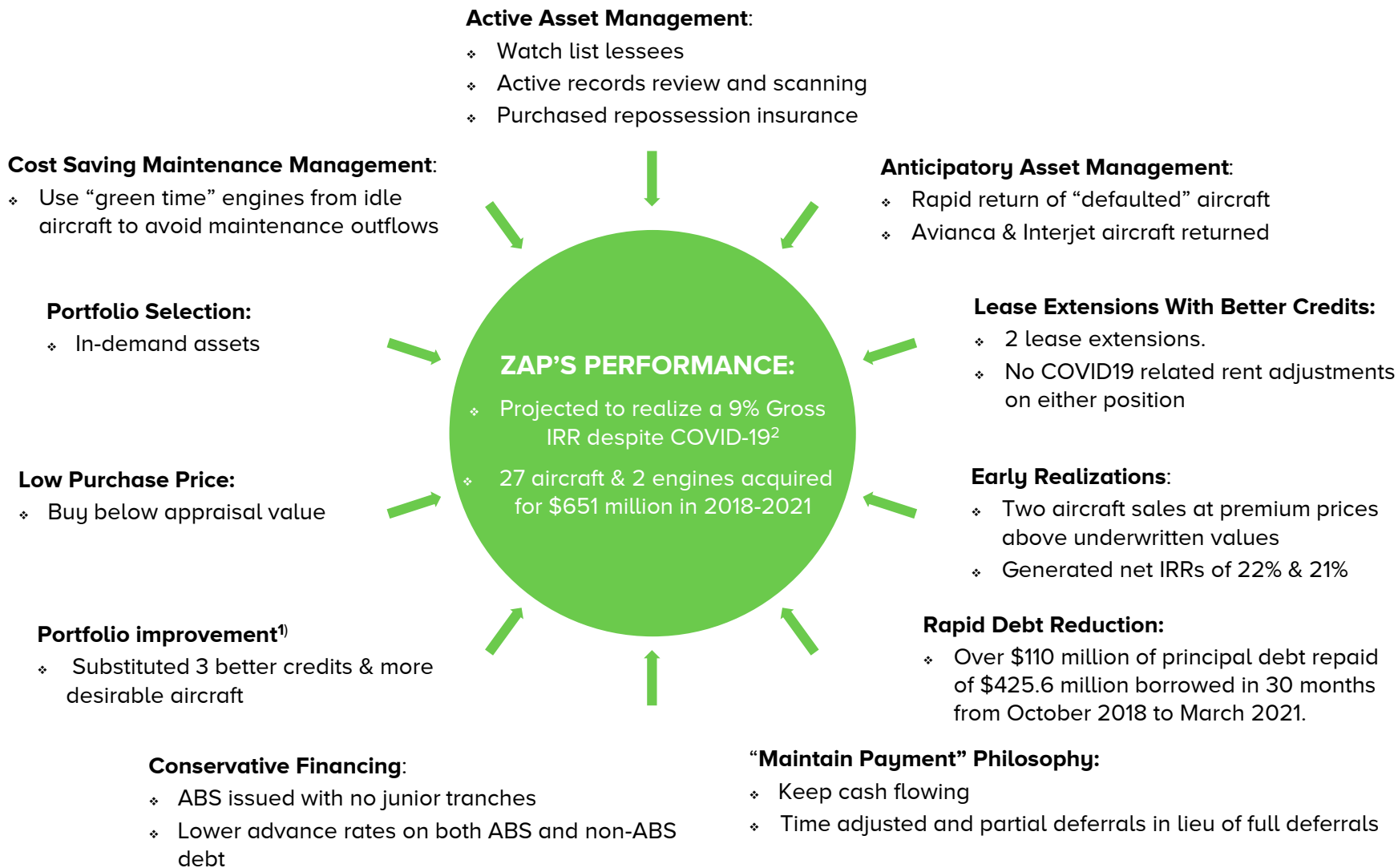
## 17-YEAR OLD AIRCRAFT SOLD FOR A 26% GROSS IRR IN MARCH 2021 DESPITE CURRENT MARKET CONDITIONS

<b>Asset Overview</b>	<ul style="list-style-type: none"> <li>2004 B737-800 aircraft on lease to a US charter carrier</li> <li>Net purchase price of \$19mm in December 2018 with a lease generating a 23% cash-on-cash yield<sup>1</sup></li> <li>The underwritten base case assumed that the asset would be held until lease expiry in May 2024 and then sold to the part-out market</li> </ul>						
<b>Sale Details</b>	<ul style="list-style-type: none"> <li>The lessee was performing charter flights for a national sports league</li> <li>MLS agreed to purchase the aircraft outright to control aircraft availability and flight costs</li> <li>\$20mm gross sales price for the aircraft, representing a premium to third-party appraisal values</li> <li>Less than 60 day timeline from initial discussion to close – no novation process as the airline will continue to operate the aircraft on behalf of MLS</li> </ul>						
<b>Return Details</b>	<table border="1" data-bbox="401 751 906 915"> <tr> <td><b>Gross IRR<sup>2</sup></b></td> <td><b>26%</b></td> </tr> <tr> <td><b>Gross MOIC<sup>2</sup></b></td> <td><b>1.4x</b></td> </tr> <tr> <td><b>Duration (years)</b></td> <td><b>2</b></td> </tr> </table> <div data-bbox="1045 762 1624 889" style="border: 1px solid black; padding: 10px; margin-left: 20px;"> <p><b>The unlevered gross IRR<sup>2</sup> was 11% compared to 9% in the underwritten base case</b></p> </div>	<b>Gross IRR<sup>2</sup></b>	<b>26%</b>	<b>Gross MOIC<sup>2</sup></b>	<b>1.4x</b>	<b>Duration (years)</b>	<b>2</b>
<b>Gross IRR<sup>2</sup></b>	<b>26%</b>						
<b>Gross MOIC<sup>2</sup></b>	<b>1.4x</b>						
<b>Duration (years)</b>	<b>2</b>						
<b>Conclusion</b>	<ul style="list-style-type: none"> <li>Zephyrus capitalized on an opportunistic situation for an older aircraft based on assessing the specific needs of an airline and its ultimate customer</li> <li>Platform delivered a favorable result in a challenged environment with aircraft values having collapsed as a result of COVID-19 induced downturn</li> </ul>						

<sup>1</sup> inclusive of both basic and supplemental rent.

<sup>2</sup> Gross IRR represents the gross internal rate of return on all cash flows (including co-investments from third parties). Gross MOIC represents the gross multiple of invested capital on all cash flows (including co-investments from third parties). The gross IRR and gross MOIC include deal expenses and taxes paid by Owner/Lessor on the investment only and do not reflect Virgo's management fees, carried interest or Fund expenses, which will reduce returns and may be substantial.

# VALUE ENHANCEMENT AND DOWNTURN MANAGEMENT: ZAP CASE STUDY



<sup>1)</sup>ZAP bought a 21 aircraft portfolio from Avolon in 2018. It did not accept four of the aircraft and acquired three others instead improving credit quality (new lessees average 8 vs 6 for replaced lessees on ZAC's credit rating system) and adding an A321, perhaps the most desirable single aisle aircraft.

<sup>2)</sup> ZAP is projected to realize a gross return of 9% ZAP is also projected to generate gross MOIC of 1.7x.

# VIRGO AVIATION TRACK RECORD: ZEPHYRUS

- Virgo's aggregate Zephyrus transaction (mid- to end-of-life aviation investing) has realized a 22% net IRR as of March 30, 2021

## VSP II TRACK RECORD- REALIZED TRANSACTIONS

Asset	Vintage	Closing Date	Lessee Country	Total Purchase USD M <sup>1</sup>	Fund Invest USD M <sup>1</sup>	Senior Debt USD M	GROSS IRR / MOIC <sup>2</sup>	NET IRR / MOIC <sup>3</sup>	Duration (Years)
2 x B737-700	1998	Oct-12	India	37.4	21.5	15.9	47% / 1.3x	36% / 1.3x	0.9
2 x CFM56-7B	N/A	Oct-12	Nigeria	11.8	5.3	6.5	24% / 1.5x	19% / 1.4x	4.9

## VSP III TRACK RECORD- REALIZED TRANSACTIONS

Asset	Vintage	Closing Date	Lessee Country	Total Purchase USD M <sup>1</sup>	Fund Invest USD M <sup>1</sup>	Senior Debt USD M	GROSS IRR / MOIC <sup>2</sup>	NET IRR / MOIC <sup>3</sup>	Duration (Years)
2 X B737-600	1998	Feb-14	Scandinavia	25.5	12.9	12.6	22% / 2.1x	17% / 1.9x	4.3
1 X A320-200	2001	Apr-14	UK	14.0	7.5	6.5	13% / 1.3x	9% / 1.2x	3.4
4 X B737 -700	1998/2002	May-14	Brazil	51.2	24.2	27.0	26% / 1.5x	20% / 1.4x	2.6
1 X CFM56-7B	N/A	Oct-14	South Africa	4.7	1.9	2.8	22% / 1.7x	18% / 1.5x	3.5
1X A320 -200	2001	Mar-15	US	16.1	6.8	9.3	40% / 1.7x	33% / 1.6x	2.0
1 X A340-300	1996	Oct-15	Argentina	8.1	8.1	0	49% / 1.7x	42% / 1.6x	2.7

## ZAP TRACK RECORD- REALIZED TRANSACTIONS

Asset	Vintage	Closing Date	Lessee Country	Total Purchase USD M <sup>1</sup>	Fund Invest USD M <sup>1</sup>	Senior Debt USD M	GROSS IRR / MOIC <sup>2</sup>	NET IRR / MOIC <sup>3</sup>	Duration (Years)
1 X B737-700	2002	Dec-18	USA	11.5	5.7	5.8	28% / 1.3x	22% / 1.2x	1.1
1 X B737-800	2004	Dec-18	USA	18.6	5.0	13.6	26%/1.4	21%/ 1.4	2.75

<sup>1</sup> Total purchase price and Fund Invest include co-investments in the Scandinavia, Brazil, South Africa and Argentina transactions

<sup>2</sup> Gross IRR represents the gross internal rate of return on all cash flows (including co-investments from third parties). Gross MOIC represents the gross multiple of invested capital on all cash flows (including co-investments from third parties). The gross IRR and gross MOIC include deal expenses and taxes paid by Owner/Lessor on the investment only and do not reflect Virgo's management fees, carried interest or Fund expenses, which will reduce returns and may be substantial.

<sup>3</sup> Net IRR and Net MOIC are calculated using gross IRR and MOIC, respectively, and netting out illustrative fund level economics including Virgo's management fees, carried interest and fund expenses on a pro forma basis assuming all deals represent a single fund. Management fee and carried interest assumptions match the respective terms for ZAP II.

Note: Track record above excludes 'non-Zephyrus' aviation investments from VSP II including: a new A320-200 sale leaseback (new aircraft trade) and B737-Classic engine trading (out of production and off-lease asset – not a Zephyrus trade). Returns for these non-Zephyrus trades available upon request. All performance numbers are calculated using an internal rate of return defined as the rate of return earned by the investment based on the cash flows using the "XIRR" function in Microsoft Excel.



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