

02 - 11 - 2026

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

CORPORATE SPEAKERS:

Julie Smith

Sound Point Meridian Capital, Inc.; Head of Investor Relations

Ujjaival Desai

Sound Point Meridian Capital, Inc.; Chief Executive Officer

Daniel Fabian

Sound Point Meridian Capital, Inc.; Chief Financial Officer

PARTICIPANTS:

Mickey Schleien

Clear Street; Analyst

Eric Zwick

Lucid Capital Markets; Analyst

Timothy D'Agostino

B. Riley Securities; Analyst

Gaurav Mehta

Alliance Global Partners; Analyst

PRESENTATION:

Operator^ Good day, ladies and gentlemen, and welcome to the Sound Point Meridian Capital, Inc. third fiscal quarter ended in December 31st, 2025. At this time, all lines are in listen-only mode.

Following the presentation, we will conduct a question-and-answer session. If at any time during this call you require immediate assistance, please press star zero for the operator. This call is being recorded on Wednesday, February 11th, 2026.

I would now like to turn the conference over to Julie Smith, Head of Investor Relations. Please go ahead.

Julie Smith^ Ladies and gentlemen, thank you for standing by.

Sound Point Meridian Capital refers participants on this call to the investor webpage at www.soundpointmeridiancap.com for the press release, investor information and filings at the Securities and Exchange Commission, and for a discussion of the risks that can affect the business.

Sound Point Meridian Capital specifically refers participants to the presentation furnished today on the Form 8-K with the SEC and to remind listeners that some of the comments today may

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

contain forward-looking statements and as such will be subject to risks and uncertainties which, if they materialize, could materially affect results.

References made to the section titled Forward-Looking Statements in the Company's Earnings Press Release for the period ended December 31st, 2025, which is incorporated herein by reference.

We note forward-looking statements, whether written or oral, include, but are not limited to, Sound Point Meridian Capital's expectation or prediction of financial and business performance and conditions as well as its competitive and industry outlook. Forward-looking statements are subject to risks, uncertainties, and assumptions which, if they materialize, could materially affect results, and such forward-looking statements do not guarantee performance, and Sound Point Meridian Capital gives no such assurances.

Sound Point Meridian Capital is under no obligation and expressly disclaims any obligation to update, alter, or otherwise revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

In addition, historical data pertaining to the operating results and other performance indicators applicable to Sound Point Meridian Capital are not necessarily indicative of results to be achieved in succeeding periods.

I will now turn the call over to Ujjaival Desai, Chief Executive Officer of Sound Point Meridian Capital.

Ujjaival Desai^ Thank you to everyone joining us today, and welcome to the Sound Point Meridian Capital earnings call for the third fiscal quarter ended December 31, 2025.

We'd like to invite you to download our investor presentation from our website, which provides additional information about the company and our portfolio. With me today is our Chief Financial Officer, Dan Fabian, and after our prepared remarks, we will open up the call to your questions.

For the third fiscal quarter ended December 31, 2025, we generated net investment income, NII, of \$9 million, or \$0.44 per share, and recorded a net realized loss of \$0.05 per share on exited investments. We paid distributions of \$0.75 per share during the quarter. The shortfall in NII relative to common distributions reflects the impact of persistent loan spread compression, elevated zero liability costs, and reduced excess spread available to equity investors during the quarter.

Net asset value, NAV per share, ended the quarter at \$14.02, down from \$16.91 as of September 30, 2025. NAV declined primarily due to mark-to-market pressure in CLO equity valuations, as buyers stepped back late in the year despite generally stable underlying credit performance.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

During the quarter, we deployed approximately \$6.8 million in two warehouse investments, purchased three new issue equity positions with an amortized cost of \$11.29 million and weighted average GAAP yield of 9.31%, and purchased one new equity investment in the secondary market with an amortized cost of \$5.23 million and yield of 15.6%.

We also sold two equity investments with an amortized cost of \$8.1 million, an average yield of 15.6%, and refinanced the liabilities of 10 equity investments. We deployed an additional \$4.48 million related to these refinancing activities.

As of quarter end, our CLO equity portfolio's weighted average GAAP yield was 11.0% versus 12.0% in the prior quarter, driven in large part by seven basis points of weighted average spread loss in our underlying portfolios. The decline in portfolio yield underscores the unprecedented scale of repricing activity across the leveraged loan market over the past two years, which has meaningfully reduced asset spreads available to CLO equity.

Subsequent to quarter end, we announced monthly distributions for calendar Q2 2026 of \$0.20 per share, down from our previously announced Q1 2026 monthly distribution of \$0.25 per share.

In setting the revised distribution level, the board considered a range of factors, including current and expected portfolio yield, the importance of maintaining balance sheet flexibility, and our objective of supporting net asset value over time.

While we believe our CLO equity investments have significant refinancing optionality in 2026, which may offset the effect of loan yield compression, the sheer pace of loan repricing activity throughout the quarter, and frankly, over the past two years, ultimately led to the decrease in our monthly distributions.

We remain committed to our obligations as a regulated investment company, and will continue to distribute at least the required portion of taxable income while evaluating distribution levels as earnings, market conditions, and portfolio positioning evolve.

Our portfolio continues to be highly diversified with 97 CLOs across 30 managers, providing exposure to over 1,500 loan issuers spanning over 30 industries on a look-through basis. In an environment characterized by increasing dispersion across sectors, credits, and managers, this diversification remains an important risk management tool.

I'll now turn the call over to Dan for a more detailed review of the financial highlights for the quarter.

Daniel Fabian^ Thanks, Ujjaval, and hello, everyone.

As Ujjaval mentioned, for the quarter ended December 31st, 2025, we delivered net investment income of \$9 million, or \$0.44 per share. For the quarter ended December 31st, 2025, we

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

recorded a net realized loss of \$1.1 million and an unrealized loss in investments of \$51.8 million. Total expenses during the quarter were \$9 million. The GAAP net loss for the quarter was \$43.9 million, or a loss of \$2.14 per share.

Moving to our balance sheet, as of December 31st, 2025, total assets were \$474.7 million. Net assets were \$287.9 million, and our net asset value stood at \$14.02 per share. The fair value of our investment portfolio stood at \$473.5 million, while available liquidity consisting of cash was approximately \$525,000 at the end of the quarter.

As of December 31st, 2025, the company had outstanding debt that totaled 39% of total assets. During the quarter, we declared monthly cash distributions of \$0.25 per share, payable at the end of January, February and March. Based on our share price as of December 31st, 2025, this represents an annualized dividend yield of 21.8%.

Subsequent to quarter end, and as Ujjaval previously mentioned, we announced our calendar Q2 2026 distributions this morning. As of January 31st, 2026, our estimated net asset value per common share was \$13.40.

I will now turn it back to Ujjaval, our CEO, to provide an update on the CLO market.

Ujjaval Desai^ Thanks, Dan.

Before we move on to Q&A, I would like to provide a brief update on the market environment for corporate loans and CLO equity.

The U.S. leveraged loan market remained highly active in 2025, with primary broadly syndicated loan activity exceeding \$1 trillion, resulting in one of the strongest years of growth by volume in the last decade.

Notably, roughly half of that volume came from repricing amendments, which do not represent new supply for investors. Supply levels were further constrained by below-average LBO and M&A activity, which failed to rebound over the year amid policy volatility and heightened macro uncertainty.

The result of limited loan supply coupled with robust investor demand resulted in relentless loan spread compression in 2025, with the weighted average spread of the Morningstar Leveraged Loan Index dropping 21 basis points over the year to SOFR plus 3.2%, the lowest level since 2012. For the single-B subset, the compression was even more pronounced, falling 29 basis points in 2025 and 52 basis points over the last two years.

Simultaneously, volatility failed to provide relief as loans rebounded quickly from the post-Liberation Day tariff shock and CLO liabilities remained range-bound. This resulted in the CLO weighted average cost of capital remaining nearly unchanged from the start of 2025 despite loan spread compression, weakening the overall CLO equity arbitrage.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

Despite tight spreads and limited supply, U.S. managers priced \$55 billion in new-issue CLOs in the fourth quarter, setting a new annual issuance record for the second consecutive year. This new issuance was predominantly driven by manager-controlled captive funds.

While broader credit fundamentals remained generally stable, 2025 was marked by increasing dispersion across the loan market. Sector-specific headwinds, issuer-level challenges, and elevated liability management activity contributed to a more bifurcated environment with stronger credits continuing to refinance while weaker credits faced mounting pressure.

A small number of highly visible idiosyncratic credit events added to investor caution and reinforced sensitivity downside risk even as headline default rates remained near historical averages.

Taken together, these dynamics increased differentiation across CLO portfolios and underscored the importance of manager selection, structural protections, and active portfolio oversight as we enter 2026.

Looking ahead, in 2026, the loan market is expected to transition away from the repricing-dominated environment of 2024 and 2025 towards modest growth in true new money issuance. Importantly, the composition of supply is expected to improve with LBO and M&A volume projected to increase, supported by lower borrowing costs, improved policy visibility, deregulation tailwinds, and an improving sponsor exit backdrop.

On the other side of the coin, CLO liabilities do not need to materially tighten from here for equity yields to improve. Rather, a period of relative stability in liability spreads would allow refinancing and reset activity to proceed on an accretive basis, lowering overall funding costs and partially offsetting the impact of loan spread compression.

In this environment, execution, market access, and timing will be critical, and we believe a reduction in debt costs may significantly offset the loan spread tightening seen throughout 2025 and increase the equity arbitrage throughout 2026, which we view as a welcome development after a technically challenged year.

With that, we thank you for your time and would like to open up the call for any questions.
Operator?

QUESTION & ANSWER:

Operator^ Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

Should you have a question, please press the star followed by the number 1 on your touchtone phone. You will hear a prompt that your hand has been raised. Should you wish to decline from

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

the polling process, please press the star followed by the number 2. If you are using a speakerphone, please lift the handset before pressing any keys. One moment, please, for your first question.

Your first question comes from Mickey Schleien from Clear Street. Please go ahead.

Mickey Schleien^ Yes, good morning, everyone.

Ujjaval, I think you mentioned CLO captive funds, and there's been increasing discussion about them accepting lower equity returns because they can obviously capture management fees and incentive fees. Could you help us understand how meaningful that group has been in 2025 and how do you think that group is going to behave going forward?

Ujjaval Desai^ Sure. Hi, Mickey, how are you doing? So, that's a very interesting question. I think captive funds as a whole, right, have certainly been driving the new issue loan market, new issue CLO market, rather, for 2025. I think currently I would say 95% of CLO equity, CLOs being issued are driven by captive funds.

For the reasons you mentioned, I think the money has been raised by these funds, and there's a need to invest that capital. And so they can be more long-term focused rather than just looking at the arbitrage that exists today.

And, unfortunately, given that the loan market didn't grow as much last year, but new issue CLO supply continued to grow, that resulted in this supply-demand imbalance, which meant loan spreads continued to tighten because there was a demand for loans from CLOs, while CLO liability papers stayed wide because a lot of CLOs were being issued. And so that sort of imbalance was not healthy.

Now, I think looking ahead, we're seeing, as I said, in my remarks, we're seeing a lot more new issue loan activity. So, hopefully that will somewhat offset the demand from captive funds and hopefully bring the arbitrage sort of back towards where it would make sense for other investors to also start investing in new issue equity.

Mickey Schleien^ If I could just follow up then sort of back of the envelope, I understand what you're saying in terms of their ability to capture fees, which third-party investors like yourselves may not be able to do, but there's got to be a point where even taking those fees into account, we sort of reach a trough. Do you think we're anywhere near that trough from their perspective?

Ujjaval Desai^ Well, again, I don't want to sort of disparage any particular group of participants in the market, but the reality is that if you have a fundraise already you have to put that money to work. And so there isn't any -- I mean, the manager decides which investment they want to do and when they want to do a CLO.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

So, the return that they get on that deal, it depends on how you model it. And so you can use a lot of different assumptions to make the numbers look good, unfortunately.

So, I don't know if there is a particular threshold beyond which they will stop investing in their own CLOs because you can assume that defaults would be lower in the future, spreads will be wider and you can kind of justify whatever returns you like. So, I don't know. It depends on how each person behaves.

I think ultimately these captive funds the returns that the investors get is sort of long-term returns. They're not mark-to-market. So, ultimately when those funds come to the end of their life, that's when investors will see what the returns really have been.

So, until then it's all up to the managers themselves to be disciplined. And I think we have seen some managers are very disciplined and some are not. So, that's unfortunately, it's very hard to predict exactly how they're going to react given the challenging spread environment we have right now.

Mickey Schleien^ I understand.

I think in your prepared remarks, you discussed loan spreads, which are the tightest they've been since the financial crisis. And that's obviously weighed on spread available, or the arbitrage for CLO equity. With that in mind, how much more refinancing risk or repricing risk do you see embedded in your portfolio?

Ujjaval Desai^ Yes. So, that's a great question. I think it sort of depends on sort of day by day where loans are trading.

I think right now the percentage of loans trading above par, which is basically a metric that we can use to estimate or project what percent of loans would get repriced. That percentage is fairly low. It's around 15%, 20% of the market. It used to be about 60% a couple of weeks ago. So, there has been some volatility in the market as we've all seen through due to AI and software names. And so that has reduced the percentage of loans trading above par.

So, as of now, I think the repricing activity is going to be fairly subdued. And if the new issue pipeline of loans materializes, which we are hearing is a big pipeline and certain deals are coming to the market now, some large ones. So, that I think should put more pressure on secondary prices in the loan market to stay at or below par.

And that certainly would restrict repricing activity further. I mean, based on, again, all indications as of now, it feels that the repricing activity has probably reached a low point and hopefully spreads in these loan portfolios will increase going forward if the new issue pipeline materializes.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

Mickey Schleien^ And lastly, at least from my perspective, you just mentioned AI. When you talk to your managers, how are they approaching management of that risk and what's their thesis of their potential impact on AI on their portfolios?

Ujjaval Desai^ Yes. So, I think that's obviously a very topical issue right now. I feel it's name by name. You have to look at each credit and analyze the risk of being impacted negatively by AI. I think where we are today is that the market, the loan market as well as equity and other markets kind of had a knee jerk reaction and every name in that subsector got sold off regardless of the credit quality of that particular company.

So, I think what we are seeing now is the better managers are doing a lot of detailed analysis of the portfolio. They've been doing it for a while, obviously, but I think we are hopeful that this sort of sell off of the entire sector creates some interesting investment opportunities where certain loans may have sold off too much and managers can finally trade their portfolio and build par by buying cheaper sort of low-priced assets that have sold off in sympathy with sort of the sector news.

So, I think it's going to come down to a name-by-name analysis. And I don't think we can just say the entire sector is bad. There will be some names for sure that will get materially impacted. And the work we're doing and the work our managers are doing is sort of looking at those names and identifying which ones are going to be the winners here.

And I think that is a welcome respite for CLO equity because last year, what we saw was the names that were struggling, those loans, the prices went down, but everything else kind of stayed at par or above par.

In that environment, it was extremely difficult for people to build par or trade the portfolio because if you sold something, you couldn't buy something else to replace that lost part. Now with more kind of broad-based selling in certain sectors, I think that gives you this opportunity to risk manage the book better. And I think that certainly, I feel it's much better for CLO equity than the other way around.

So, that's all I would say. I think, again, the whole AI story is still in sort of early stages today. And the impact is going to be more long-term than short-term. So, we'll have to see how that plays out.

Mickey Schleien^ I understand that. That's really interesting. I appreciate taking my questions and look forward to talking to you soon. Thank you.

Ujjaval Desai^ Thanks, Mickey.

Operator^ Thank you. Your next question comes from Eric Zwick from Lucid Capital Markets. Please go ahead.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

Eric Zwick^ I wanted to start with a question, looking at slide 10 of your deck, you quantify the potential estimated savings from your investments that are either already out of their non-call period or coming out of their non-call period in the next five quarters as 28 basis points. And if I compare that to last quarter's slide, the amount was 41 basis points.

So, I'm curious, one, is that change from 41 to 28 purely a reflection of the resets or refinances that you completed during the last period? Or is there something else that has impacted that number as well?

Ujjaival Desai^ Yes. Good question. Yes, that is exactly correct. We completed 10 refinancings last year. Sorry, last quarter, rather. And so those were the highest cost of liability deals. So, if you think about the portfolio, the deals that were callable last quarter were the ones that were done two years prior. And at that time, liability levels were even higher than the subsequent quarter. So, there has been a roll down in liability costs over time.

So, we tackled, obviously, the ones that were last quarter, the ones that had the highest cost of capital. And so those savings have been achieved. And then now we're going down to the next lot, which as you can see from here reaches about 200 basis points and then drops down from there.

So, it's just a sort of roll down of that kind of the breakdown of the liability costs. So, it's solely because of that. There's nothing else really that's contributing to that change in number.

Eric Zwick^ I appreciate the confirmation there.

And then just thinking about kind of the action you took with the dividend and it's clear to see that the yield, the effective yield has come down in the portfolio, that the gap NII has come down. However, when I look at the cash flows on a quarterly basis, they've continued to trend higher over the last two quarters. So, is there something that has not been reflected in the actual cash flows yet that they're lagging kind of some of the larger portfolio dynamics as well, or how should I interpret that?

Ujjaival Desai^ Yes. So, I think the first part of the question, let's take a look at both of them separately. The first one is, yes. So, the portfolio yields have come down and we've talked about why. That's just because of the spread compression in the loan market. And so our portfolio, which stands at 11% now down from 12%. So, certainly there is less income because of that gap income. And so we have adjusted our dividend to reflect that.

In terms of your question on higher cash flow, that's just because when we refinance those deals, there is extra additional cash generated through the refinancing activity. And so that's really the reason why the cash flow is higher. We can certainly provide additional details to you separately, but that's not because of the yield.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

The yield has compressed, but there is cash flow because we've been refinancing these transactions.

Eric Zwick^ Got you. Okay. So, if you kind of reach the end of your repricings and/or spreads wide in that opportunity lessens potentially that portion of the cash flows would go down and then -- so I guess maybe what wasn't clear there to me was the amount of those cash flows coming from the refinancing has made that figure look more robust than maybe the kind of longer term or maybe the regular run rate of public cash flows.

Ujjaval Desai^ Yes. Yes. It depends on the deal. I mean, if we do a refinancing of a deal, sometimes that is excess cash flow that gets flushed out to the equity. But that's all part of it's included in the price of the equity, but there is additional cash flow that gets released when a deal gets refinanced.

And sometimes obviously when you refinance a deal, the go forward cash flows increase from the refinancing. So, that's kind of what we've been saying that the go forward yields will increase slowly, but on those deals that get refinanced, that cash flow goes up because you're paying less on the liability. So, there's a combination of those factors.

Eric Zwick^ Okay. Thank you.

And then just thinking a little bit about the, the NAV from here, maybe trying to look at it from a couple of different perspectives. One that you seem hopeful, if not optimistic, that the pace of asset repricing has been reduced at this point, which should alleviate some, some pressure there, still have the opportunity that we've discussed to restore some of the arbitrage opportunity by refinancing some of the liabilities.

And then also, I think last quarter you discussed in periods of market volatility, you're able to become more active in the secondary market and make some attractive purchases. Kind of putting that together, do you feel like the near-term pressure on the NAV has been lessened at this point and there's potentially opportunities to see that stabilize, if not even improve at some point, or is that still hard to tell at this juncture?

Ujjaval Desai^ Yes, so there's two components here, right? There is the cashflow component, which is dependent on the spread compression and what happens there. And we talked about that.

The second component is the NAV itself. The NAV is the price of the underlying equity positions we have in our portfolio. And that is dependent on, not just fundamentals, but there are also technical factors there in particular, kind of how much demand there is for CLO equity in the market.

What we saw kind of towards the end of last quarter was that liquidity dried up. So, as you headed towards year end, there were fewer buyers of CLO equity. If you look at sort of dealer

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

deaths, they were also not buying. So, there's just less of a buyer base for CLO equity towards the end of last year. And that continued in January as well. And so that sort of technical vacuum, if you will, resulted in NAVs continuing to decrease.

I think for that to change, obviously the cashflow increase to spread increase in loans certainly will help, but you also need just more buyers and people to be just more comfortable stepping back into the CLO equity space. And we'll have to wait and see how that sort of changes, but we're hopeful that that would be the case at some point. I think people will think that CLO equity is quite cheap.

We believe it's cheap, but if everyone agrees with that, then more buyers step in and that certainly would help improve the NAV. But that's much more of a technical analysis and it's hard to obviously control that. But I think what we're focused here is just making sure that the portfolio continues to do well.

We continue to sort of refinance the deals that we can, risk manage the portfolio and over time, try to improve the cash flows inside these deals. And then the NAV, and then the technicals of that will be dependent on the market. But we think CLO equity is fairly attractively priced in the secondary market today.

Eric Zwick^ Thank you for taking my question, guys. It's very helpful.

Ujjaval Desai^ Of course. Thanks.

Eric Zwick^ Thank you.

Ujjaval Desai^ Do we have another question?

Operator^ The next question comes from Timothy D'Agostino from B. Riley Securities. Please go ahead.

Timothy D'Agostino^ Yes. Hi. Thank you. Good morning.

Some great commentary before. I guess the one question on my end, and I don't know if you've provided in the past or if you can provide it, but could you just tell us a little bit and provide some color on how the portfolio yield and spread has trended quarter to date or year to date? Obviously, compressing in 2025, but it would be great to maybe just get a directional idea of what you're seeing so far in 2026. Thank you.

Ujjaval Desai^ So, I mean, we talked about the loan spreads, how they've compressed. In terms of the portfolio yield, the gap yield of our portfolio, that reached, so it was 12%. The previous quarter got to 11%. And if you look at our January numbers, it's 11.4% right now. So, it picked up a little bit in January to 11.4%.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

A lot of that is to do with sort of the refinancing activity that we are undertaking in the portfolio. So, I don't know if that was your question, but that's in the slide deck we posted this morning.

Timothy D'Agostino^ Okay, great. Yes. No, thank you so much. I must have missed that. I appreciate taking the question today.

Ujjaval Desai^ Of course. Thanks.

Operator^ There are no further questions at this time. As a reminder, if you wish to ask a question, please press star followed by the number 1.

The next question comes from Gaurav Mehta from Alliance Global Partners. Please go ahead.

Gaurav Mehta^ Yes, thank you. Good morning.

I wanted to ask you on the three CLO investments that you made in the primary new issue market, specifically on the 9.3% yield, which seems like it's lower than last two quarters. Can you provide some details on the yield and what kind of yields you're seeing in the primary market?

Ujjaval Desai^ Yes, Gaurav. Great question there. So, the three investments we made last quarter, there were two components to the yield. There is the warehouse income and then there is the actual yield on the on the equity portion itself.

So, for us, at the end of the day, we look at the overall combined yield that we can earn on those investments. And so it's a combination of the warehouse income as well as the running yield. So, when you combine those two things together, the yields that we're buying those equity positions at were pretty strong, sort of mid-teens type of yield.

So, that's why there's a bifurcation. There's warehouse income and a 9.8% yield on the on the investments themselves. So, we look at it as a package. And so those look pretty attractive.

In terms of the overall new issue kind of activity, it's an interesting dynamic there. I think we've been saying it that new issue equity hasn't looked that interesting all of last year and continues to look less attractive compared to secondary today.

And you can see that in our stats. If you look at our stats in terms of how many new issue deals we're buying in 2024, our investments were split more 80% new issue, 20% secondary. Last year, that split went to around 50-50. And a lot of that was driven in the first half of last year. And then sort of as we reach this second half of last year and now this year, the new activity is very, very subdued.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

So, to the extent we find a new issue deal that looks attractive on a overall package basis, we will certainly evaluate it. And we are doing a lot of that right now. But I think right now we still find secondary equity to be very, very attractive relative to new issue.

Gaurav Mehta^ All right, thanks for that color.

I also wanted to follow up on the 11.4% yield that you reported in January. I think you mentioned part of that is driven by the refinancing in your portfolio. Does that reflect the 52 basis points that you reported in the slide deck like complete 52 basis points or there's more refinancing to come that could have the yields?

Ujjaval Desai^ Sorry, let me just see. 52 basis points. Which 52 basis points are you referring to?

Gaurav Mehta^ I think on the slide deck number 10, it says 52 basis point savings expected in 1 to 26. And I think in your remarks, you said that 11.4% was partly due to refinancing. So, I guess my question is that 11.4%, does that reflect the complete 52 basis points or that partial? And there could be more improvement because of refinancing in this quarter?

Ujjaval Desai^ Yes. Right. So, I think so the way the yield works is that you will get some credit for deals that are callable immediately. And to the extent, as you roll forward, you start to get credit for the next few months of deals and then use -- but you don't get credit for the deals in the subsequent quarters. So, some of that is reflected in the 11.4%. But there will be some more increase from that.

But then the second quarter deals are going to get closer to non-call period. And then you start to get benefit from those deals as well. As long as we can complete those refinancings, as long as the liability market stays where it is right now, then those will also get pulled up into our yield and that should help the yield as well.

So, since we can't refinance all the time, we are doing obviously quarter by quarter. So, the most immediate quarter, some of that gets reflected in the yield as we start doing them. But then the rest of them will get reflected over time.

Gaurav Mehta^ Okay, thanks.

My next question is on the dividend, the \$0.20 monthly rate. I was wondering if you could maybe provide some more color on how you got to that number. And do you expect that dividend to be covered by NII at some point?

Ujjaval Desai^ Yes. So, as we said earlier, the board decided to set the dividend level at \$0.20 per month based on kind of our current deal of the portfolio, but also the expectation for where the yields are going to go.

Sound Point Meridian

Third Fiscal Quarter Ended December 31, 2025 Earnings Conference Call

Right. That depends on how much refinancing activity we can do, what's happening in the loan market, the loan spreads going forward. It also depends on sort of what sort of repositioning we can do in the portfolio to improve our yields.

So, we feel that based on that, \$0.20 is a prudent number to have. And yes, the goal here is to be able to cover that over time. And obviously right now, with the yield at 11, 11.4, we're not covered today. But that's the goal based on portfolio rotation, the market changes, the expectation is for us to be able to cover that.

Gaurav Mehta^ All right. My last question on the leverage of debt to assets at 39%, is that close to where you want to leverage to be or how should we expect about to leverage in '26?

Ujjaval Desai^ Yes, I think the leverage ratio of 39%, it's fine right now. We're going to evaluate that and see kind of again, depending on our view on where our enemy is going to go, our view on what's happening into the cash flows. We're constantly monitoring that leverage issue. We feel comfortable with it right now.

Gaurav Mehta^ All right. Thank you. That's all I had.

Ujjaval Desai^ Excellent. Thanks.

Operator^ Perfect. There are no further questions at this time.

Ladies and gentlemen, this concludes today's conference call. Thank you all for your participation. You may now disconnect.

Ujjaval Desai^ Thank you, everyone.