Understanding Private Credit

The History and Current State of the Asset Class

ARES

Introduction

What Is Private Credit?

Private Credit is a broad term, often defined differently by market participants. Ares defines Private Credit as loans or investments made by a single or small club of institutional managers to a company or asset. We believe Private Credit provides important capital that supports companies, real assets and global economies. Within Private Credit today, Ares broadly sees five distinct sub-sectors including the following:

Direct Lending

Private loans or investments directly to sponsor-backed or management-owned companies primarily based on cash flows, corporate enterprise value and assets (current assets, PP&E, receivables, etc.)

Alternative Credit

Private asset-based credit that invests in diversified pools of assets that generate contractual cash flows across a wide group of sectors and industries, including auto & aviation, consumer, mortgages, equipment leasing, fund finance and more

Real Estate Debt

Private lending to finance the purchase or development of real estate assets

Infrastructure Debt

Private lending to finance the purchase or development of infrastructure projects

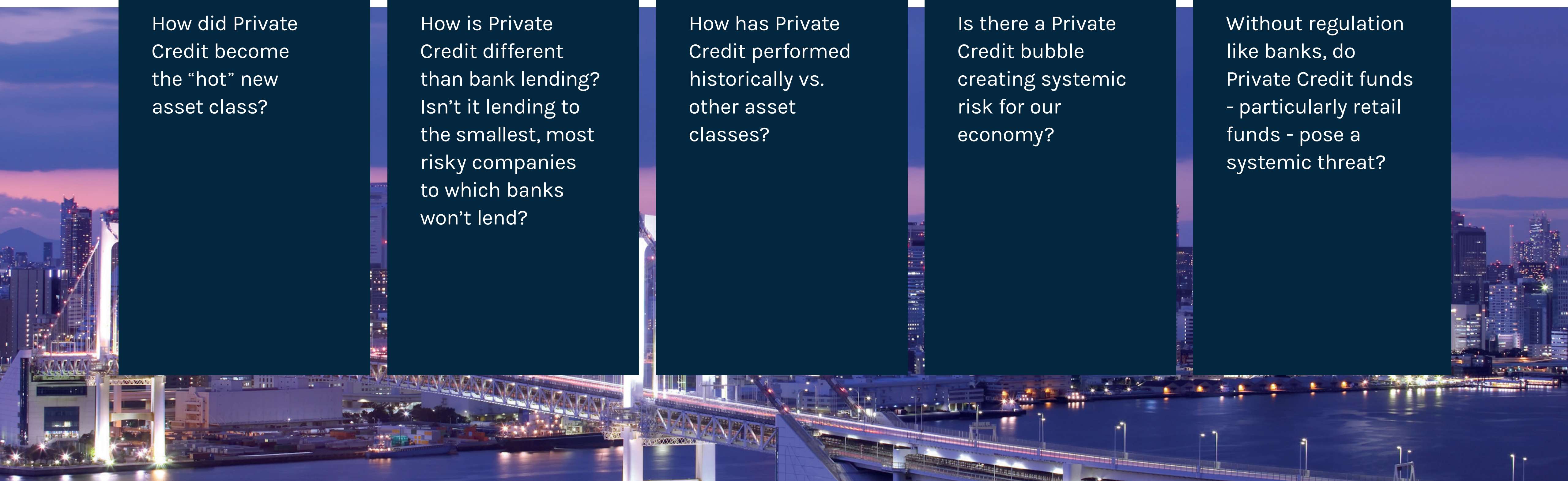
Opportunistic Credit

Private lending to healthy companies and businesses in need of transitional capital through flexible debt and/or non-control equity solutions

Key Questions on Private Credit

There is broad agreement that the asset class has experienced significant growth, but Private Credit is getting more attention than ever. This report will primarily focus on the Direct Lending segment within Private Credit. Here is what we have been asked:

1. How did Private Credit become the "hot" new asset class?
2. How is Private Credit different than bank lending? Isn't it lending to the smallest, most risky companies to which banks won't lend?
3. How has Private Credit performed historically vs. other asset classes?
4. Is there a Private Credit bubble creating systemic risk for our economy?
5. Without regulation like banks, do Private Credit funds - particularly retail funds - pose a systemic threat?

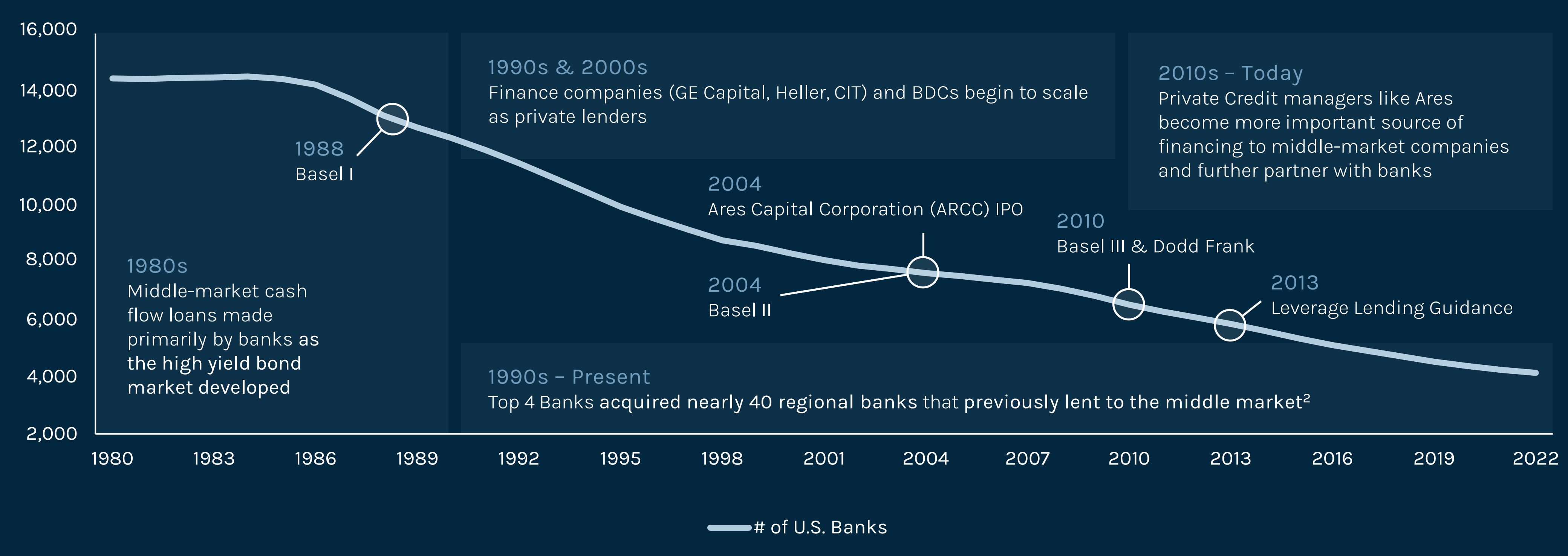


The History

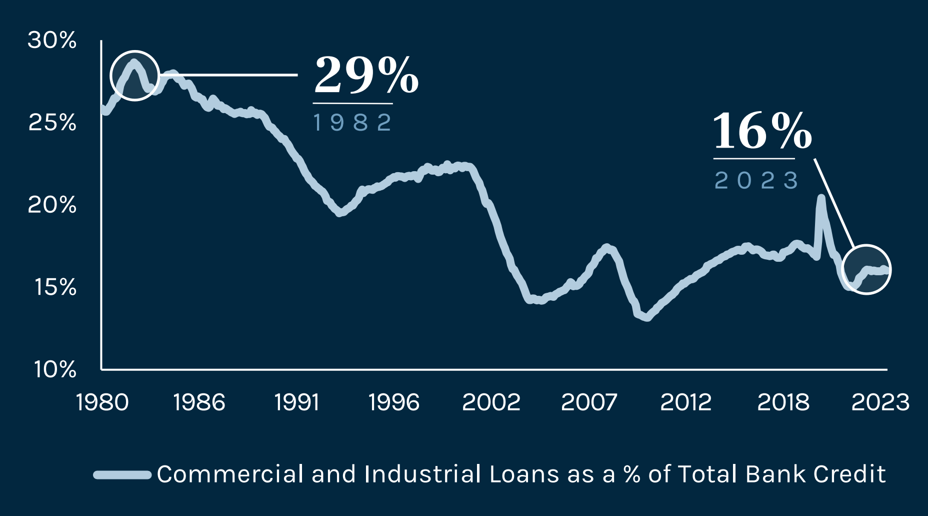
History of Private Credit and the Secular Shift From Banks Over Past Decades

As banks consolidated and regulatory requirements evolved, Private Credit has been shifting out of the banking system

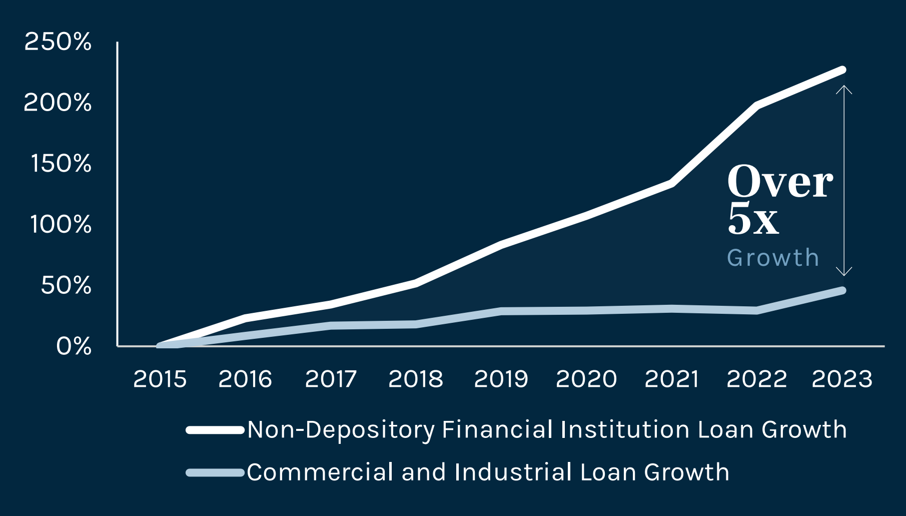
Bank Consolidation Has Meaningfully Reduced the Number of Banks[1]



C&I Loans Have Declined Meaningfully as a % of Bank Balance Sheets[3]



Banks Are Increasingly Lending to Non-Banks (Including Private Credit Managers) at 5x the Rate They Are Growing C&I Loans[3]



Market Participants Have Different Views on Risks Surrounding Private Credit[4]

“There is clearly an asset bubble going on in Private Credit.

– SIFI Bank Chairman

“There are plenty of potential pitfalls... ahead as lenders and debtors struggle under mounting burdens linked to rising interest rates and other uncertainties.

– Investor Quote

“Everyone seems to know these [Private Credit] deals are junk.

– Investor Quote

“The size of the direct lending market is too small and financial leverage is low (both among GPs and LPs), two factors that greatly limit the risk of contagion from one institution to another.

– SIFI Bank Research Report

“Overall, the financial stability vulnerabilities posed by Private Credit funds appear limited. Most Private Credit funds use little leverage and have low redemption risks, making it unlikely that these funds would amplify market stress through asset sales.

– Financial Stability and Oversight Council

“With risks attended to, diverse ecosystem of credit providers should benefit the broader economy — and policymakers should see that there’s nothing to fear.

– Media Outlet Editorial Board

The remainder of this report seeks to provide information regarding the potential benefits, long-term performance, growth of the asset class and the regulatory differences vs. bank lending

Benefits and Performance

Private Credit Offers Benefits for Both Borrowers and Investors vs. Bank Lending

Private Credit

Enhanced Flexibility/Capabilities vs. Bank Syndications

LOAN STRUCTURE	FUND STRUCTURE	RESTRUCTURING CAPABILITIES
Yield Premiums	Modest Leverage of 0-2x	Liquidity to Support Transactions
Bilateral Relationships	Match Funded	Flexibility in Restructurings
Hold to Maturity Bespoke Structures	Limited Redemption Capabilities with Long-Life Funds	In-House, PE-Style Workout Teams
Stronger Financial Covenants		

Note: Features listed may be available in bank syndications. Individual private credit transactions may not include all features listed.

Lower Cost Structure Than Banks

Efficiency Ratio: Banks vs. BDCs

62% Banks[5]

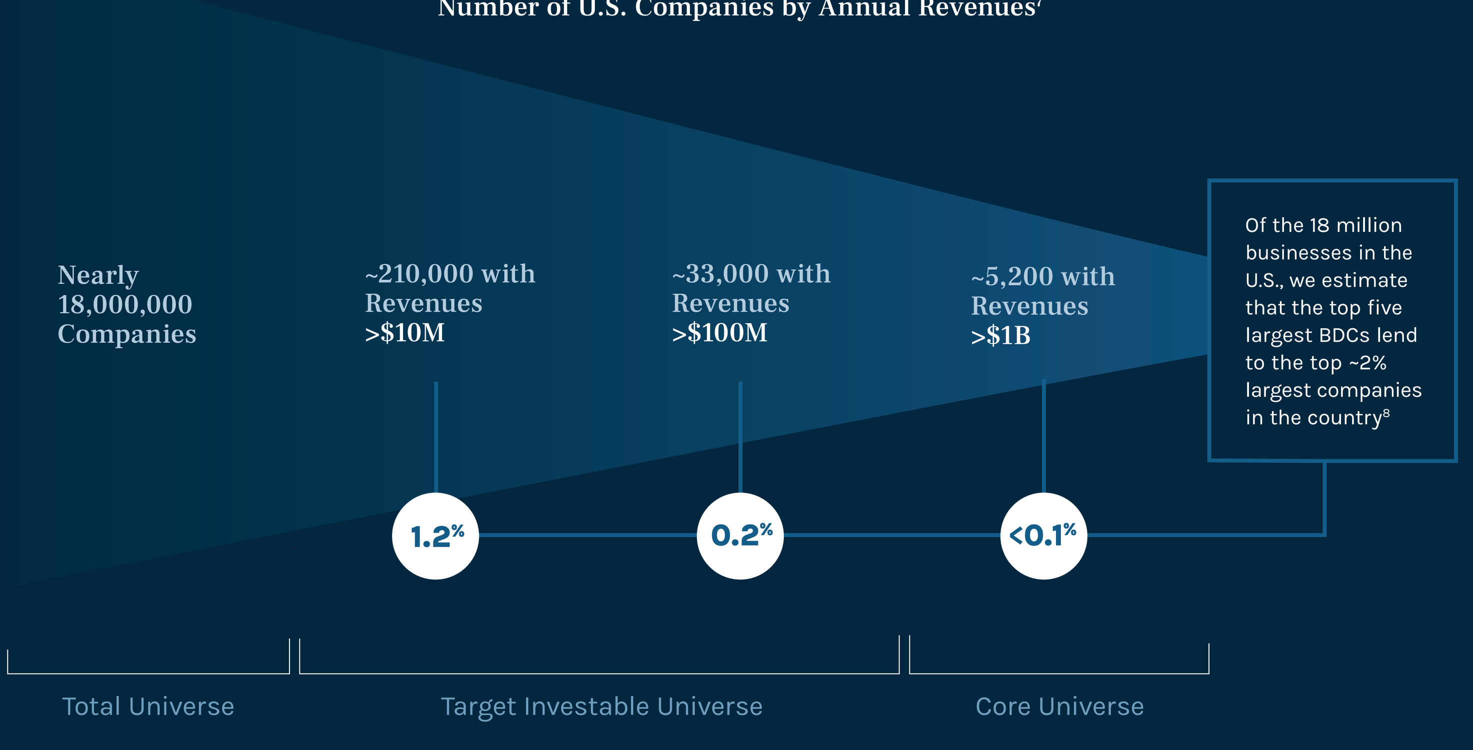
26% Avg. Top BDCs[6]

To generate a dollar of return for investors, BDCs' fees/expenses are less than half the cost of banks

Private Credit funds provide customized loan structures, are generally match funded with less leverage and typically have flexibility in restructurings vs. bank loans

Does Private Credit Lend to Small, High-Risk Companies?

Number of U.S. Companies by Annual Revenues[7]



Of the 18 million businesses in the U.S., we estimate that the top five largest BDCs lend to the top ~2% largest companies in the country[8]

While Private Credit investment managers lend to smaller companies on average than those financed in the broadly syndicated market, Private Credit borrowers are typically in the top 1-2% of all U.S. companies based on revenues and are vital to our economy

Direct Loans Target Conservative Structures and Loan-to-Values

Illustrative Capital Structure for a Company with $125 Million in EBITDA

INITIAL CREDIT METRICS

45% Loan-to-Total Value	**$125M** EBITDA
0.83 : 1 Debt-to-Equity Ratio	**2.0x** Interest Coverage at 10% Interest

TOTAL ENTERPRISE VALUE

11.0x = $1.4B TEV

Debt	**5.0x** $625M
Equity	**6.0x** $750M

CONSIDERATIONS IN A CHANGING MARKET

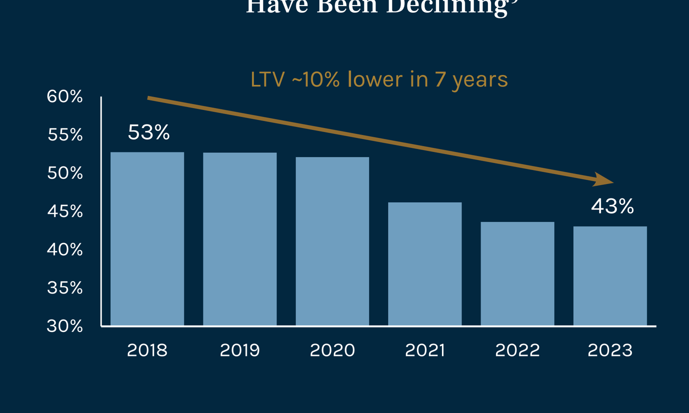
- Companies in private transactions are typically valued at a multiple of unlevered free cash flow (or an EBITDA metric)
- Unlevered free cash flows of performing companies typically **grow with the economy** and can help **offset interest and inflation costs**
- In the event that unlevered cash flows and enterprise value multiples decline, the **equity cushion supporting the loan can be substantial** and the overall enterprise value can remain **supportive of the loan**

Private Credit capital structures are generally supported by significant equity value, which can help provide better credit outcomes in difficult economies

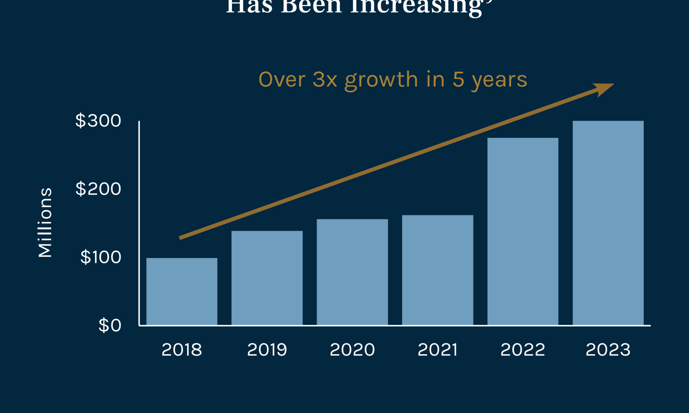
Ares' U.S. Direct Lending Trends – More Conservative LTVs to Larger Companies

Using illustrative statistics from Ares Capital Corporation's ("ARCC") portfolio, the data suggests that Private Credit remains focused on quality credits and risk mitigation

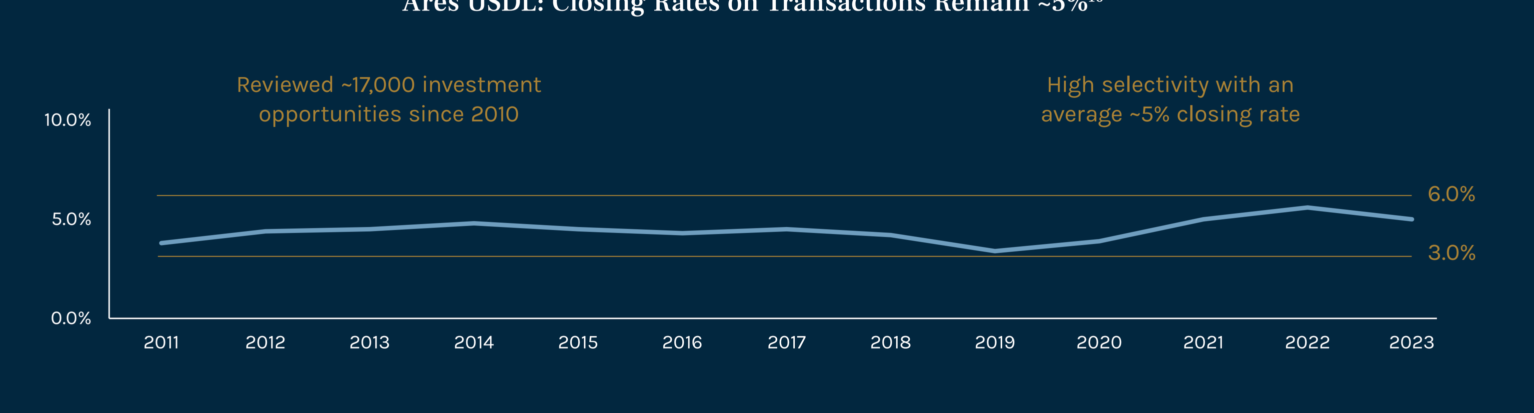
ARCC: Loan-to-Values Have Been Declining[9]



ARCC: Weighted Average Portfolio EBITDA Has Been Increasing[9]



Ares USDL: Closing Rates on Transactions Remain ~5%[10]



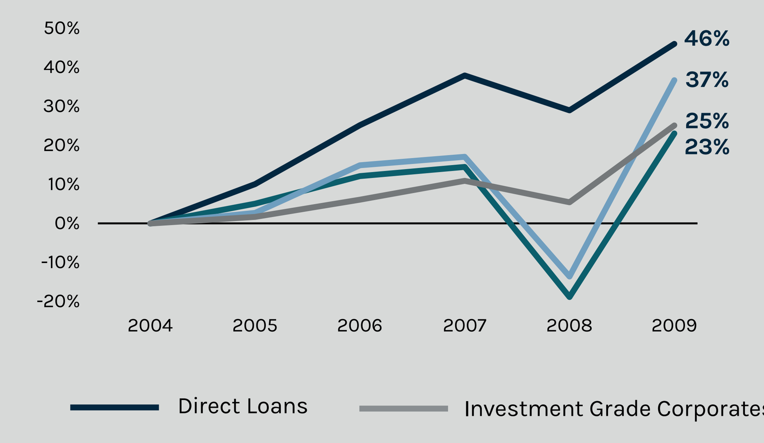
Returns for Direct Loans Have Exceeded Bank Loans and Other Credit Assets

Direct Lending has generated higher net returns with similar loss rates to the liquid markets since 2005

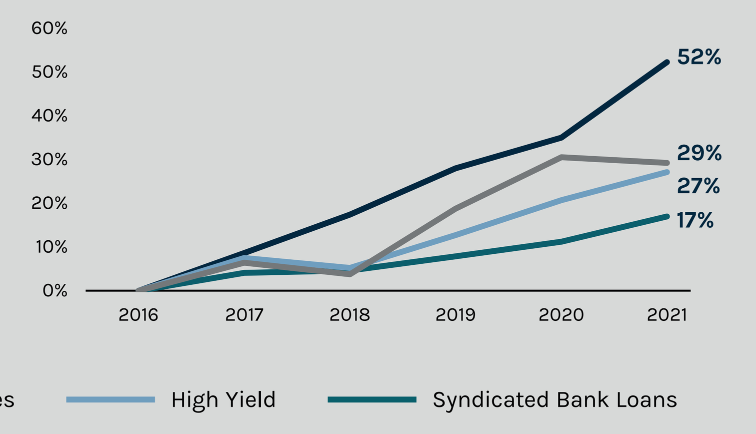
Total Annualized Net Returns Since Inception (2005-2023)[11]	Index	Annualized Credit Loss / Charge Off Rates Since Inception (2005-2023)[11]
9.45%	Cliffwater Direct Lending Index	1.02%
6.35%	Bloomberg High Yield Index	1.48%
4.82%	Morningstar LSTA U.S. Leveraged Loan Index	0.94%

Direct loans **have outperformed investment grade bonds, high yield bonds and bank loans** through the past two credit cycles of: **(1) rising rates, (2) recession and (3) recovery**

Cumulative Returns: 2005-2009[11]



Cumulative Returns: 2017-2021[11]



Direct Loans | Investment Grade Corporates | High Yield | Syndicated Bank Loans

Note: Indices are provided for illustrative purposes only, to illustrate the performance of widely recognized indices and not indicative of any investment. Comparisons of indices have limitations because each index has a different risk profiles, volatility, asset composition and other material characteristics that will differ for each index.

Ares Has Been Investing in Private Credit for Nearly 20 Years

Metrics for Select Ares Private Credit Strategies Since Inception[12]

Strategy	U.S. Senior Direct Lending Debt	U.S. Junior Direct Lending Debt	European Direct Lending
Inception Year	2004	2004	2007
Total Invested Capital	$104B	$24B	€58B*
Historical Average Yield**	8.8%	11.1%	9.9%
Recovery Rate on Defaulted Investments	84%	92%	101%*

As an example of Ares' U.S. Direct Lending credit performance, Ares Capital Corporation's annualized realized loss rate on senior loans and junior loans (which includes second lien and subordinated debt) since inception in 2004 is <5 basis points and <10 basis points, respectively[13]

* Represents total invested capital in commingled funds (ACE I-VI) and European Direct Lending SMAs as of September 30, 2023. Recovery rate in European Direct Lending is based only on commingled funds.

** Note: Asset level yields do not represent investor return.

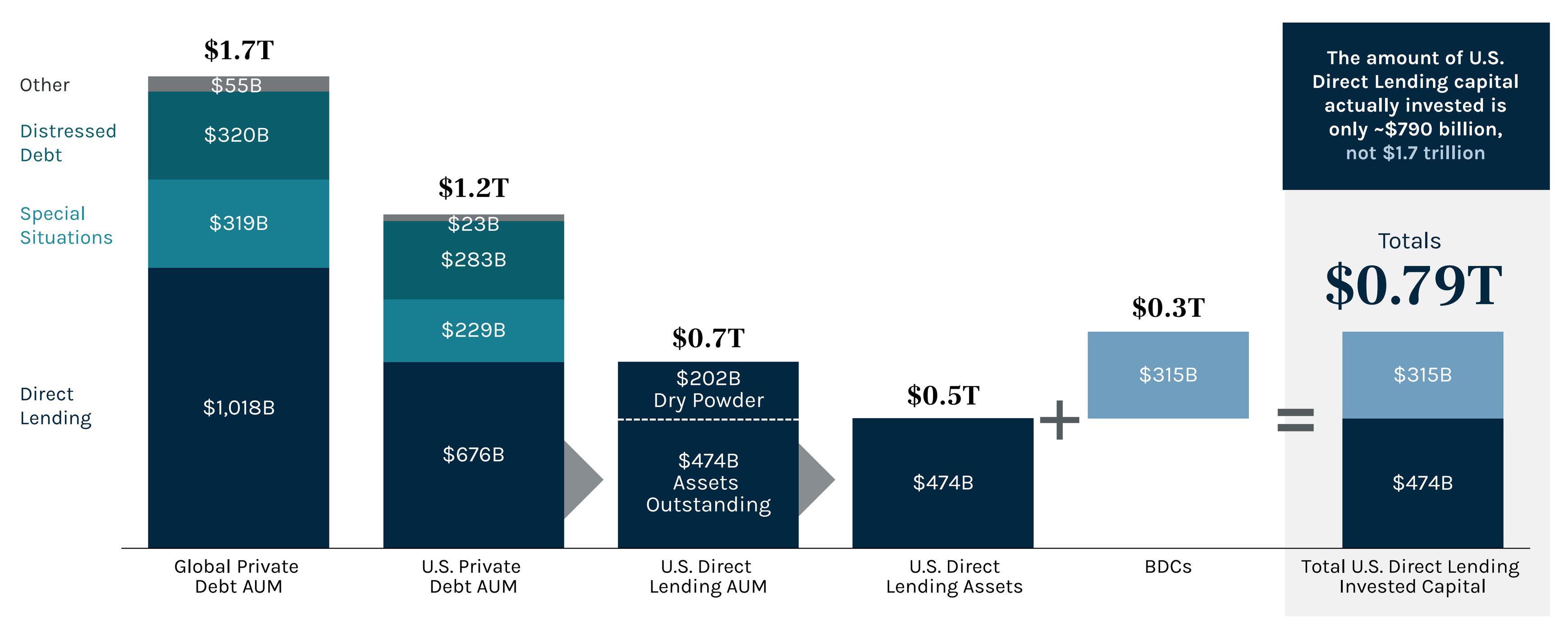
Please see endnotes for additional important information.

Growth

Has Direct Lending Become Too Big?

When sizing the Private Credit market, industry participants often cite $1.7 trillion of global private debt AUM. While accurate, we believe a breakdown of this figure helps to contextualize its various components. In the chart below, we exclude non-Direct Lending asset classes and dry powder and add in the BDC market to get to the size of the U.S. Direct Lending market as we see it today. We estimate the current size of invested assets in the U.S. Direct Lending market to be approximately ~$790 billion

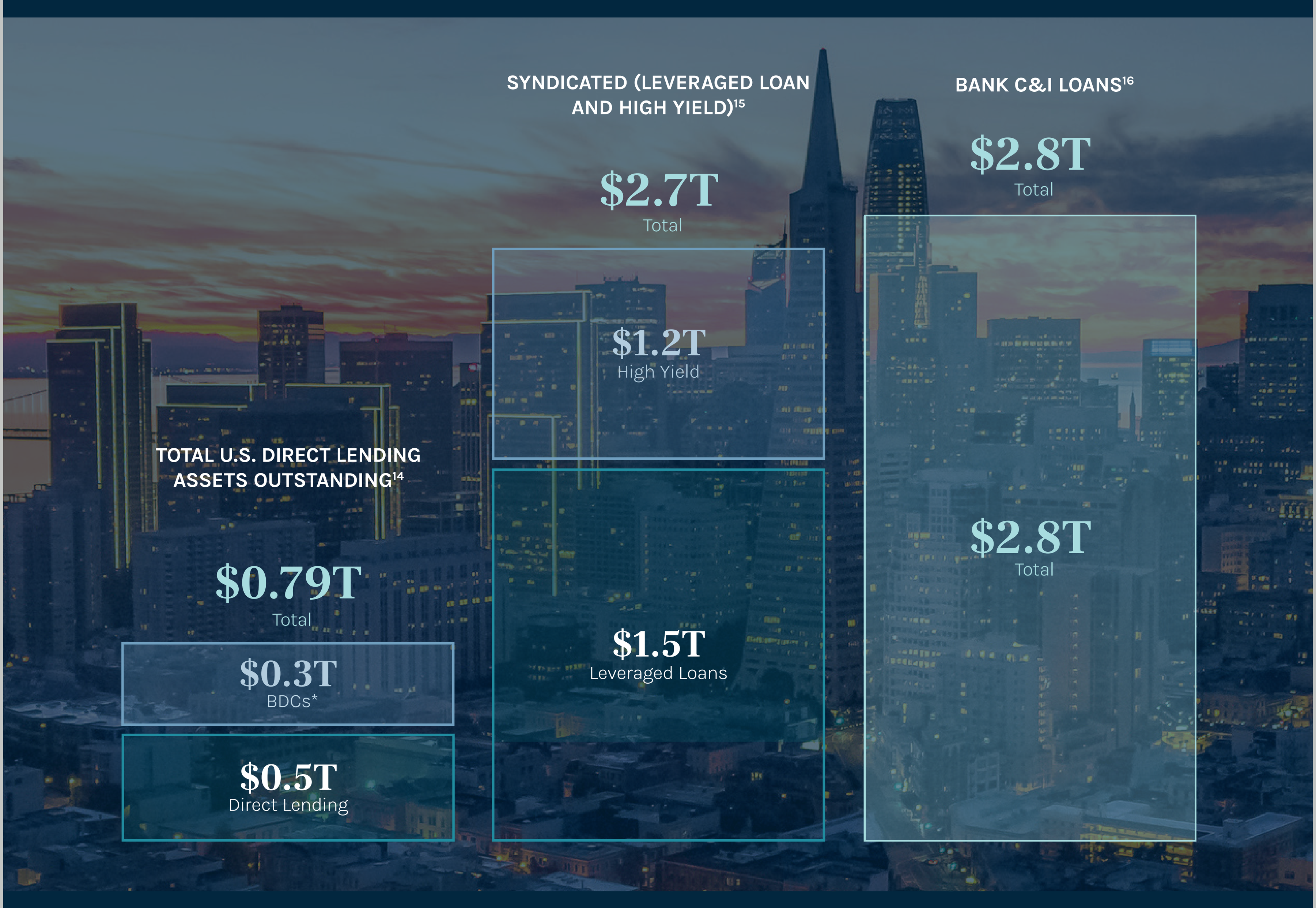
U.S. Direct Lending Assets Outstanding[14]



Direct Lending Assets Are Modest in Size Relative to Other Similar Asset Classes

Building on the prior chart, U.S. Direct Lending assets outstanding (invested assets) are a fraction of the size of other relevant asset classes

U.S. Direct Lending Assets Outstanding vs. Other Similar Asset Classes



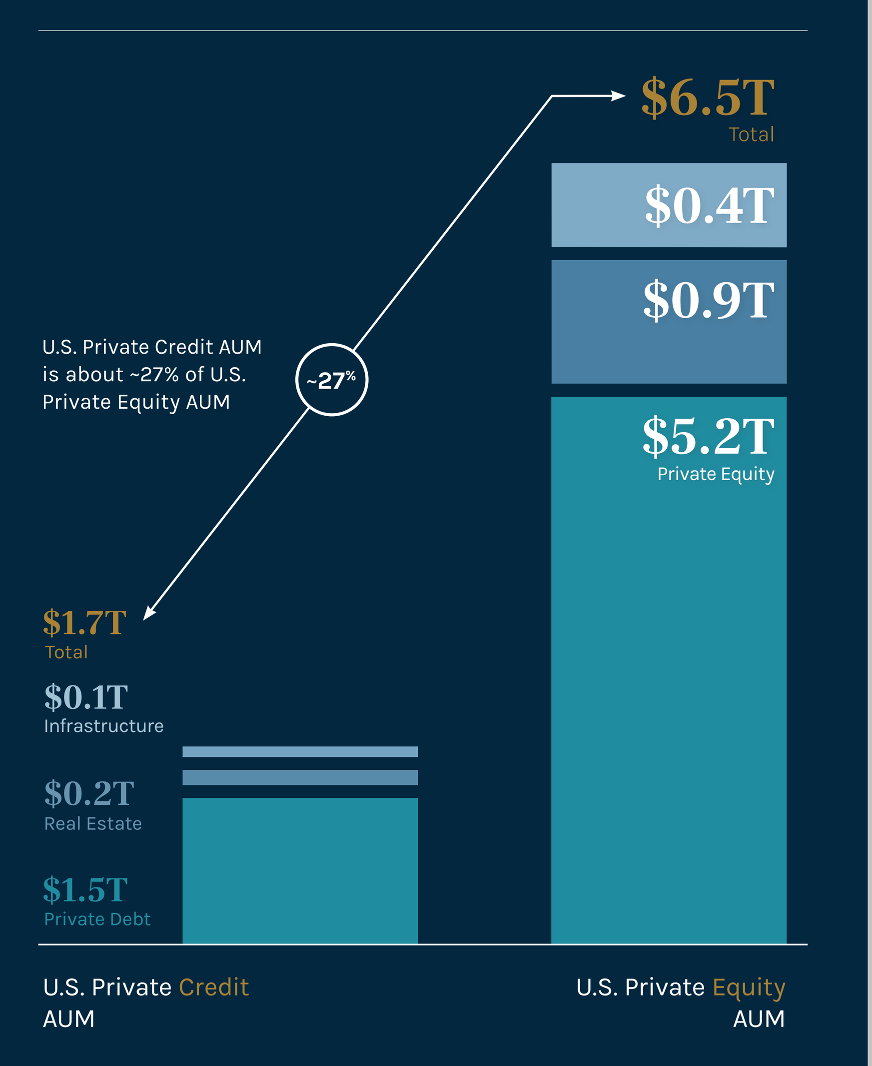
The U.S. direct lending market is small compared to other credit markets

*BDC assets estimated based on the assets tracked by the Cliffwater Direct Lending Index as of September 30, 2023.

The Private Credit Market Is a Fraction of the Private Equity Market

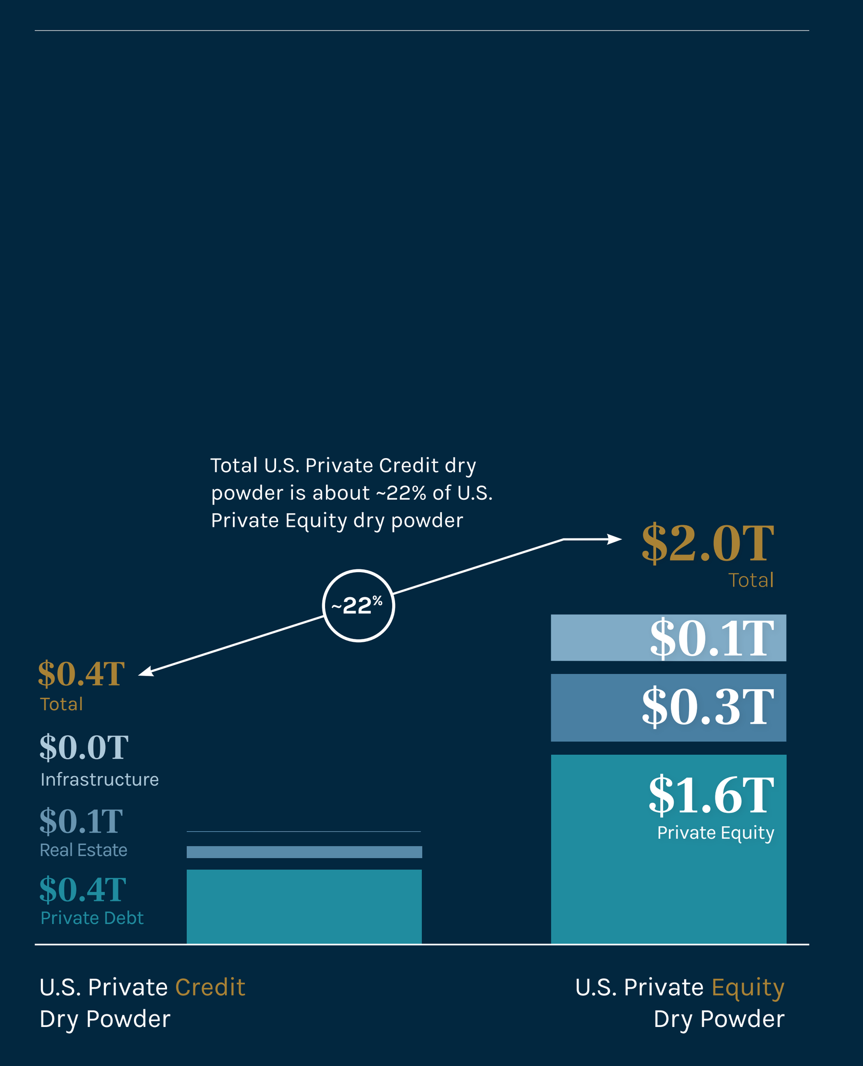
Despite significant fundraising in Private Credit, its dry powder remains a fraction of Private Equity dry powder

U.S. Private Credit AUM vs. U.S. Private Equity AUM[17]



Note: Totals may not sum due to rounding.

U.S. Private Credit Dry Powder vs. U.S. Private Equity Dry Powder[18]



Note: Totals may not sum due to rounding.

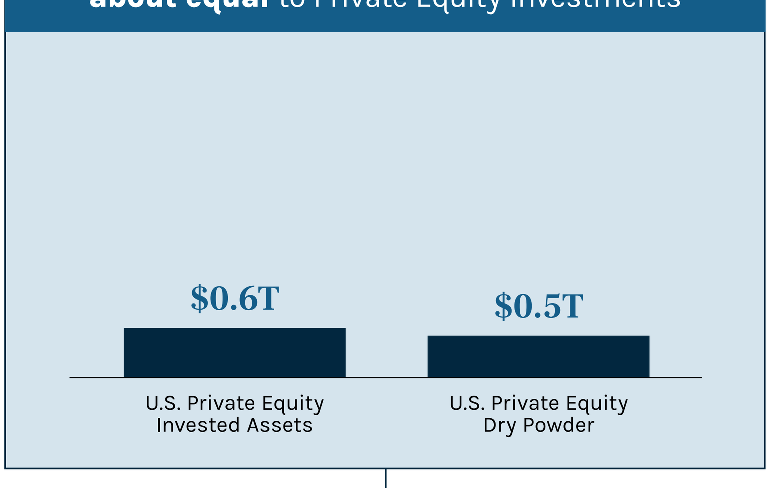
Private Credit is a growing provider of financing to the Private Equity market, and given its smaller relative size, has an opportunity for continued growth

Sponsors Are Focused On Supporting Existing Portfolio Companies

U.S. Private Equity Invested Assets vs. Dry Powder[18]

U.S. Private Equity (2008)

In 2008, Private Equity dry powder was **about equal** to Private Equity investments

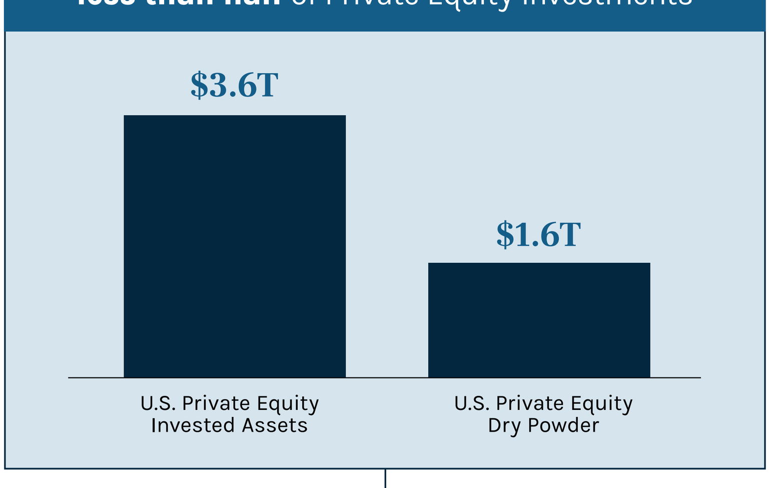


2008

In 2008, Private Equity sponsors could offset existing portfolio issues by simply deploying their large relative supply of new capital into an attractive environment

U.S. Private Equity Today (2023)

Today, Private Equity dry powder is **less than half** of Private Equity investments



2023

Today, the large amount of invested assets relative to dry powder means that sponsors may not be able to outgrow portfolio issues, but instead are focused on supporting and improving existing portfolio companies

Private Debt Market Terms Are Not Indicating a Bubble

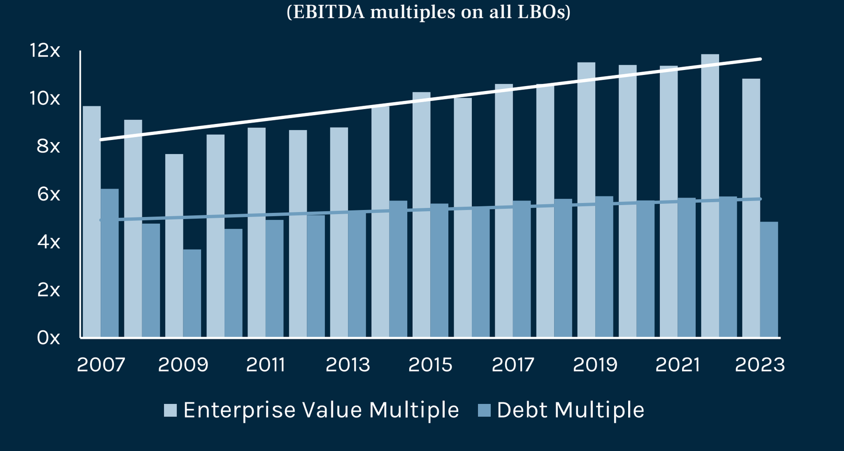
Growth of Relevant Asset Classes in the Last 10 Years[19]

AUM in $ Trillions	CAGR
Private Debt AUM	**14.7%**
Private Equity AUM	14.2%
Real Assets AUM	12.1%

Private Debt AUM has grown in-line with related private markets

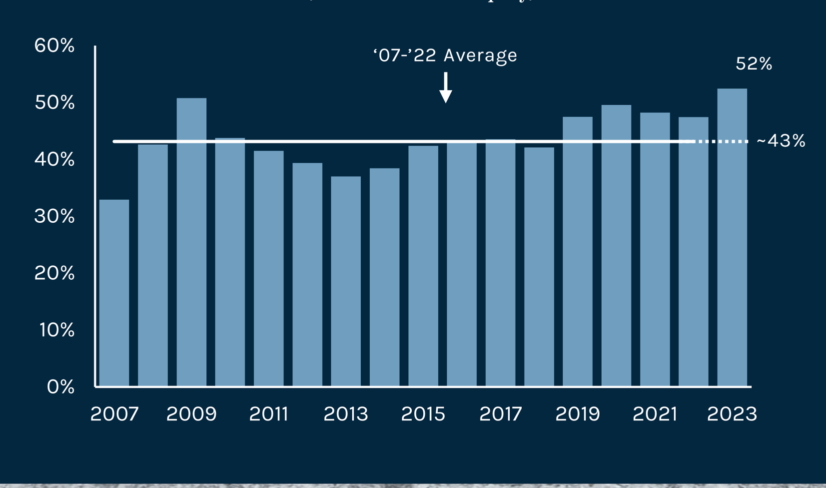
Debt Multiples vs. Enterprise Value Multiples[20]

(EBITDA multiples on all LBOs)



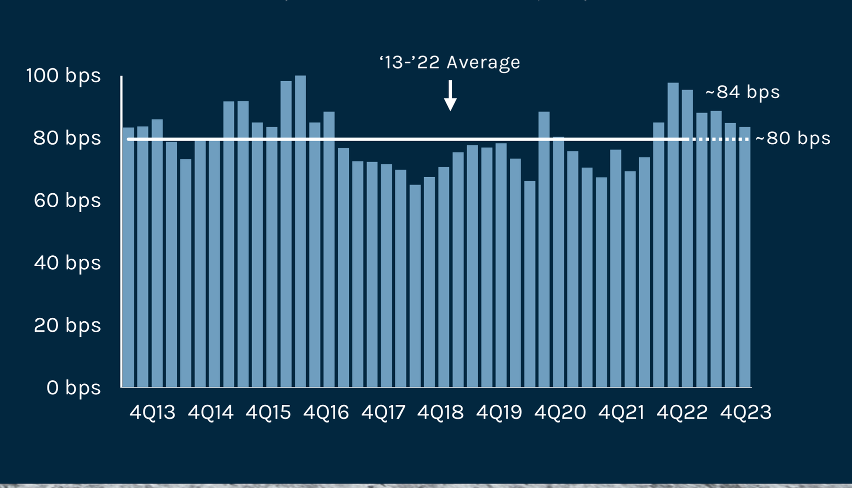
Average Equity Contributions in LBOs[20]

(includes rollover equity)



Total Spread per Unit of Leverage in LBOs[21]

(U.S. issuers with EBITDA >$50m)



Regulatory Considerations

Regulation of Non-Bank Financial Institutions vs. Banks

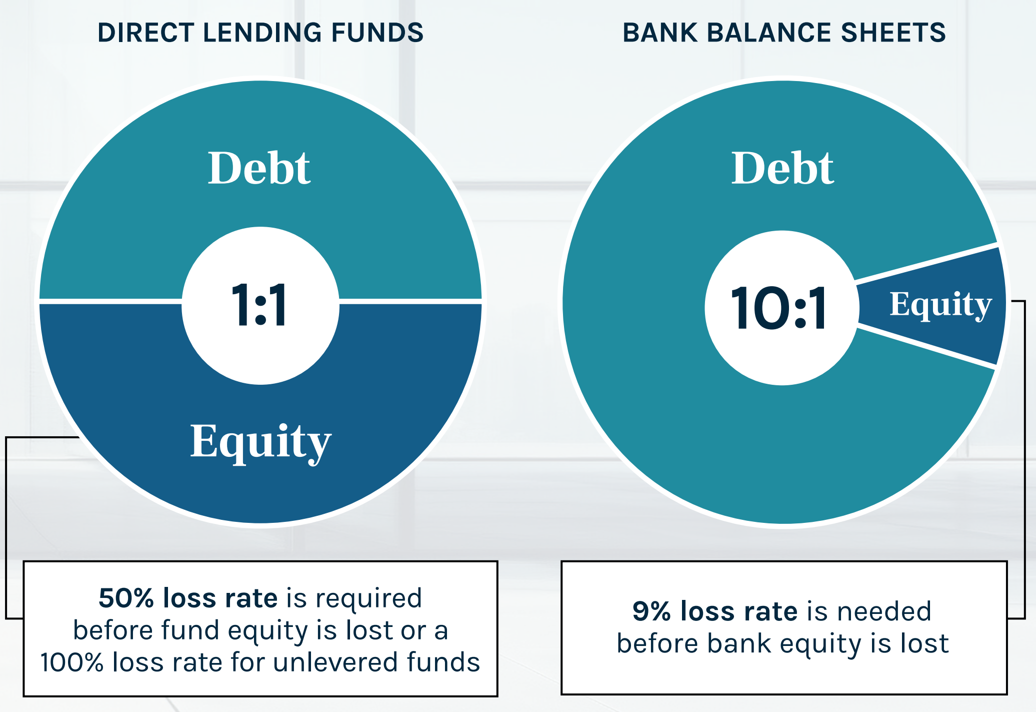
Alternative investment managers are regulated by a variety of entities; however, they are not regulated as a bank because they do not use federally insured deposits or significant leverage on their funds

Direct Lending vs. Bank's Use of Leverage

- Although not regulated as a bank, **alternative asset managers are still highly regulated.** For example, Ares Management is currently under the supervision of **over 25 global regulatory agencies** plus numerous state regulators, that each cover a different part of our business
- Banks that provide leverage facilities to private credit funds require extensive underlying portfolio data and, by extension, the **banking regulators have a lens into direct lending loans**
- **BDCs offer transparency for investors into underlying Private Credit loans.** Public BDC filings show the holdings and pricing of each loan

Direct Lending vs. Bank's Use of Leverage

Direct lending funds are typically unlevered or leveraged ~1x while banks **use ~10x leverage**[22]

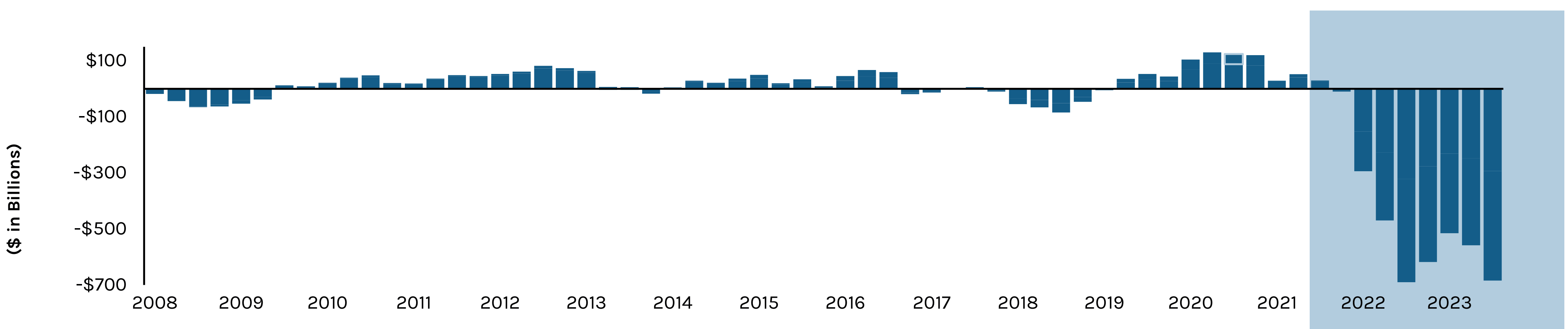


50% loss rate is required before fund equity is lost or a 100% loss rate for unlevered funds

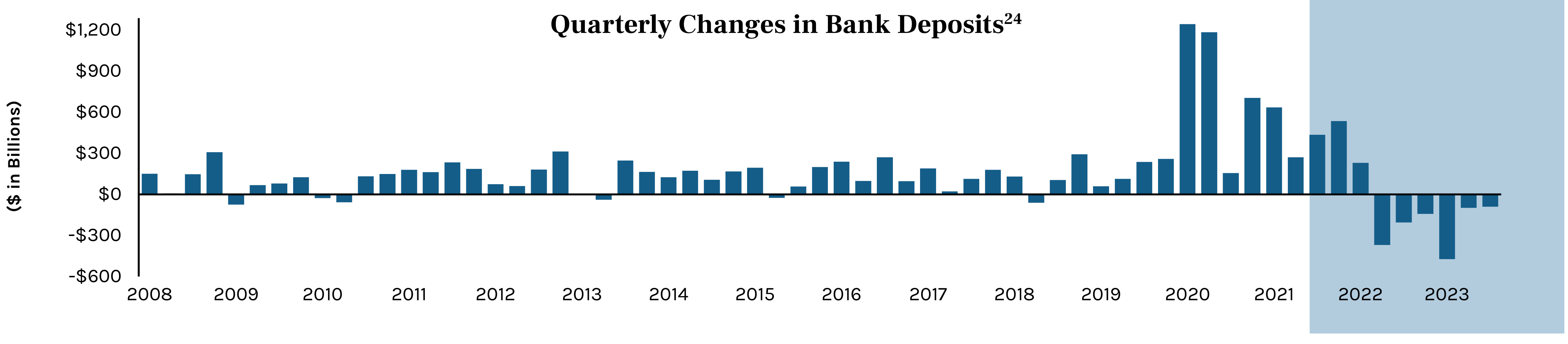
9% loss rate is needed before bank equity is lost

The Past Two Years Highlighted the Issue of Higher Leverage and the Asset-Liability Mismatches at Banks

Unrealized Gains (Losses) on Investment Securities at Banks[23]



Quarterly Changes in Bank Deposits[24]

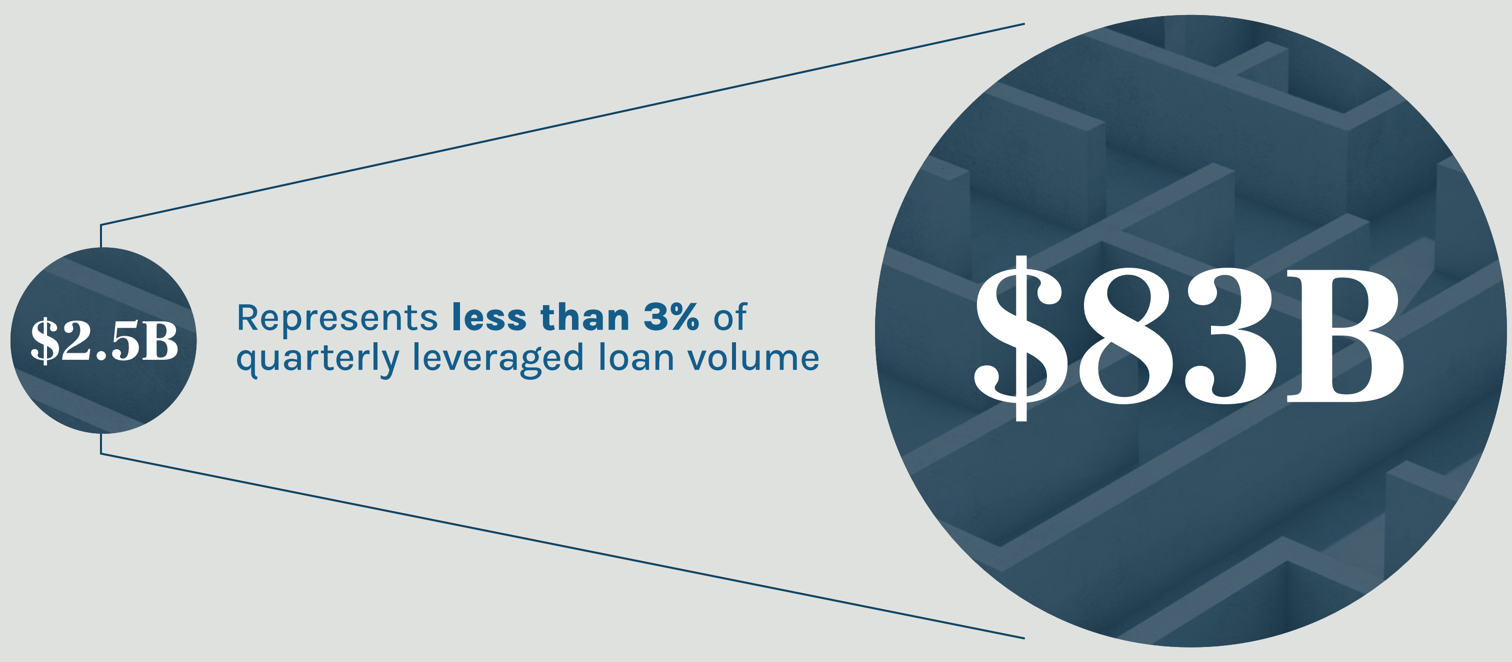


Examining Systemic Risks From Retail Oriented, Non-Traded Private Credit Funds

Market participants have cited a growing risk from the increase in non-traded BDCs because they permit limited quarterly liquidity, but redemption limitations and portfolio construction help reduce market risk

- Funds **limit** the amount of potential **redemptions to 5% of net asset value ("NAV")** per quarter. Thus, these funds typically carry 20%+ of tradable investments to meet at least one year of potential redemptions in addition to the cash generation from the portfolio.
- If 50% of non-traded BDCs sustained maximum quarterly redemption limits, we estimate that it would result in **less than $2.5 billion**[25] **of loan sales** (primarily from the tradable investments portfolio) over any 90 day period vs. **$83 billion of loans traded in the syndicated loan market**[26] each quarter.
- Funds have 90 days to meet redemption requests, **providing ample time to sell the liquid securities** without the need to liquidate private loans.

Hypothetical Quarterly Volume vs. Quarterly Leveraged Loan Volume[25, 26]



Open Ended BDC Loans to be Sold

Quarterly Leveraged Loan Volume

If half of all such funds breached their limits, the amount of loans to be sold would be less than 3% of the average quarterly leverage loan volume

Conclusion

Based on decades of experience and analysis, we believe the growth of Private Credit provides important capital that stimulates the economy without increasing risks to the financial system

- Private Credit assets have been around for decades in various forms, but have been transitioning out of the banking system over the past 30 years
- Direct Lending targets the top 2% largest companies in the U.S., which Ares believes are increasingly considering Private Credit due to its flexibility
- Direct Lending has generated higher returns with similar or better loss rates compared to the broadly syndicated loan and high yield bond markets over the past two decades and has outperformed investment grade bonds over the past two credit cycles
- Direct Lending remains undersized relative to other relevant loan markets, and as the asset class grows, it reduces both leverage and mismatched funding in financial markets
- Private Credit is regulated, but not "bank regulated" in part because it is not funded with federally insured deposits and the use of 10x or more leverage

ABOUT US

Ares Management Corporation (NYSE: ARES) is a leading global alternative investment manager offering clients complementary primary and secondary investment solutions across the credit, private equity, real estate and infrastructure asset classes. We seek to provide flexible capital to support businesses and create value for our stakeholders and within our communities. By collaborating across our investment groups, we aim to generate consistent and attractive investment returns throughout market cycles. As of December 31, 2023, Ares Management Corporation's global platform had approximately $419 billion of assets under management with approximately 2,850 employees operating across North America, Europe, Asia Pacific and the Middle East. For more information, please visit aresmgmt.com.

KEY CONTACTS

Investor Relations

Carl Drake
888-818-5298
cdrake@aresmgmt.com

John Stilmar
888-818-5298
jstilmar@aresmgmt.com

Greg Mason
888-818-5298
gmason@aresmgmt.com

Media

Priscila Roney
212-808-1185
media@aresmgmt.com

Brittany Cash
212-301-0347
media@aresmgmt.com

PRINTER-FRIENDLY PDF

To download a printer-friendly version of this document, please click here.
Note: certain charts, exhibits and text may print across page breaks.

Endnotes

Endnotes

1. Source: FDIC; Historical Bank Data through 2022.
2. Source: Visual Capitalist & Federal Reserve: "The Making of the Big Four Banking Oligopoly".
3. Source: Federal Reserve H8 Data of Commercial Banks in the United States as of December 2023. Reporting of Non-Depository Financial Institution Loan Data began in January 2015.
4. Sourced left to right and top to bottom. 1) Bloomberg. "UBS Chair Kelleher Warns Bubble Is Forming in Private Credit", 2023. 2) Goldman Sachs, Private Credit Monitor: Still on the benign side of the systemic debate, 2024. 3) Institutional Investor, As Private Credit Surges, Banks and Alternative Asset Managers Turn Frenemies Rather Than Foes, 2023. 4) Financial Stability Oversight Council, "Financial Stability Report", May 2023. 5) Financial Times, ""The 'Fool's Yield' of private credit", 2020. 6) Bloomberg, "Private Credit Should Be Welcomed — and Watched", 2023.
5. Average Annual Efficiency Ratio since 2004 for banks with market cap greater than $500mm and less than $10Bn as of 12/31/2023. Efficiency Ratio calculated as Total Non Interest Expense/(Net Interest Income + Non Interest Income). Data sourced from Capital IQ and reflects all banks within these parameters.
6. Source: Wells Fargo 1Q24 BDC Scorecard: Total Comp & Fees Paid as a % of Cumulative Total Profit. Average of the top 5 externally-managed BDCs by market cap as of 1/29/24.
7. Source: NAICS Association. As of January 2024.
8. Assumes a 20% EBITDA margin on the portfolio companies of ARCC, BXSL, FSK, GBDC and OBDC's reported EBITDA figures as of September 30, 2023.
9. Ares Capital Corporation data as of December 31, 2023.
10. Calculation based on Ares U.S. Direct Lending's total reviewed and closed transactions with new portfolio companies (excludes any additional investments in existing portfolio companies) in each calendar year excluding equity-only investments and legacy investments from portfolio acquisitions. As of December 31, 2023.
11. Source: Cliffwater Direct Lending 2023 Q4 Report on U.S. Direct Lending. Please reference the following links for additional information about index composition. CDLI (https://www.cliffwaterdirectlendingindex.com/), Bloomberg High Yield Index (https://www.bloomberg.com/quote/LF98TRUU:IND?embedded-checkout=true) and Morningstar LSTA US Leveraged Loan Index (https://indexes.morningstar.com/indexes/details/morningstar-lsta-us-leveraged-loan-index-FSUSA084ZT?tab=overview). Cliffwater Direct Lending Index, "CDLI" is an asset-weighted index of 13,000+ directly originated middle market loans totaling $315 billion. The CDLI assists investors to better understand asset class characteristics and to benchmark manager performance. The Morningstar LSTA US Leveraged Loan Index is designed to deliver comprehensive, precise coverage of the US leveraged loan market. Underpinned by PitchBook | LCD data, the index brings transparency to the performance, activity, and key characteristics of the market. The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded (Future Ticker: I00012US). Cumulative returns are indexed, starting at 0%.
12. Historical Average Yield, Recovery Rate and Loss Rate:

    U.S. Senior Direct Lending:

    - Historical average yield includes all unrealized first lien investments at each data point in time of the Credit Group's U.S. direct lending team (excluding venture investments, oil & gas investments, private asset backed securities, investments warehoused or held for seasoning or syndication purposes (including investments held for less than 30 days and other investments determined to be temporarily held by Ares in conjunction with syndication processes), and investments inherited from portfolio acquisitions), including investments made through Ares Capital Corporation (NASDAQ: ARCC) and from separately managed accounts and other funds. Yield reflects the weighted average yield on debt and other income producing securities and is computed as (a) annual stated interest rate of yield earned plus the net annual amortization of original issue discount and market discount of premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value. As of December 31, 2023.

Endnotes

    - Recovery rate on defaulted investments is as of September 31, 2023. Recovery is calculated as Total Value/Proceeds over Invested Capital.
    - Total invested capital as of September 31, 2023. Invested capital represents the book value of all senior debt investments from October 2004 through September 31, 2023 net of the original issue discount ("OID") and amounts syndicated to third parties and excludes venture investments, oil & gas investments, private asset backed securities, investments warehoused or held for seasoning or syndication purposes (including investments held for less than 30 days and other investments determined to be temporarily held by Ares in conjunction with syndication processes), and investments inherited from portfolio acquisitions. With respect to revolver and delayed draw term loan investments, the invested capital represents the maximum funded amount, if any, over the life of the investment.

    US Junior Direct Lending:

    - Historical average yield includes all unrealized second lien, mezzanine, and other private high yield debt investments at each data point in time of the Credit Group's U.S. direct lending team (excluding warrants and investments held for less than 30 days and investments inherited from portfolio acquisitions), including more than 90% from Ares Capital Corporation (NASDAQ: ARCC) and the remaining from separately managed accounts and other funds. Yield reflects the weighted average yield on debt and other income producing securities and is computed as (a) annual stated interest rate of yield earned plus the net annual amortization of original issue discount and market discount of premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value. Asset yields do not represent returns to investors. As of December 31, 2023.
    - Recovery rate on defaulted investments is as of September 31, 2023. Recovery is calculated as Total Value/Proceeds over Invested Capital.
    - Total invested capital as of September 31, 2023. Invested capital represents the book value of all second lien, mezzanine and other private high yield debt investments from October 8, 2004 through September 31, 2023 net of OID and syndications within one year of investment closing and excludes warrants, investments held for less than 30 days and investments inherited from portfolio acquisitions.

    European Direct Lending:

    - Historical average yield includes Ares EDL Yield reflects the weighted average yield on debt and other income producing securities and is computed as (a) annual stated interest rate of yield earned plus the net annual amortization of original issue discount and market discount of premium earned on accruing debt and other income producing securities, divided by (b) total accruing debt and other income producing securities at fair value. Asset yields do not represent returns to investors. Ares EDL Strategy is represented by ACE funds (ACE I, ACE II, ACE III, ACE IV and ACE V) and Separately Managed Accounts (SMAs). As of December 31, 2023.
    - The analysis for recovery only includes the commingled funds (ACE I-VI) as of December 31, 2023.

      - Recovery is calculated as Total Value/Proceeds over Invested Capital.

13. Includes invested capital on ARCC-originated investments made through ARCC, the Senior Secured Loan Program and the Senior Direct Lending Program from ARCC's inception on October 8, 2004 through September 30, 2023. Excludes syndications within one year of origination.

    - Senior direct lending loss rate defined as realized gains/(losses) on assets with a payment default as a percentage of total invested capital since inception, divided by number of years since inception for all first lien and unitranche loans. This number includes interest, fees, principal proceeds, and net of related expenses.
    - Junior direct lending loss rate defined as realized gains/(losses) on assets with a payment default as a percentage of total invested capital since inception, divided by number of years since inception for all second lien and subordinated loans. This number includes interest, fees, principal proceeds, and net of related expenses.

Endnotes

    Global Private Debt AUM, US Private Debt AUM, US Direct Lending AUM and US Direct Lending Assets Outstanding data sourced from Preqin. Preqin US AUM figures based on fund managers located in the United States. BDC AUM estimated from the Cliffwater Direct Lending Index, CDLI as of their Q4-23 Report.

    - Other includes fund of funds and venture debt. Latest available data as of February 2024.
    - Direct lending includes direct lending and mezzanine debt as defined by Preqin. Latest available data as of February 2024.

14. Source: Preqin for non-BDC data. US Private Credit AUM includes BDC assets from Cliffwater as of Q4-23 that are not tracked in Preqin. Preqin US AUM figures based on fund managers located in the United States. Preqin data uses latest available data as of February 2024.
15. Market size for U.S. liquid credit / syndicated market represented by the ICE BofA U.S. High Yield Index (H0A0) and Credit Suisse Leveraged Loan Index (CSLLI) as of September 30, 2023.
16. Source: Federal Reserve, Assets and Liabilities of Commercial Banks in the United States, seasonally adjusted. As of February 14, 2023.
17. Source: Preqin and Cliffwater. Preqin US AUM figures based on fund managers located in the United States using latest available data as of February 2024. Cliffwater BDC data as of Q4-23 added into U.S. Private Debt AUM. Totals may not sum due to rounding.
18. Source: Preqin using latest available data as of February 2024.
19. Data is measured for approximately 10 years. Source for Private Debt, Private Equity and Real Assets (combination of Real Estate and Infrastructure): Preqin Pro. Period measured is 2013 vs. most recent Preqin data as of March 2024.
20. Source: PitchBook Q4-23 LBO Report.
21. Source: PitchBook LCD Q4-23 Global Report – US/Europe.
22. Source: Federal Reserve Financial Stability Report - October 2023. Estimated using the ratio of tangible common equity to tangible assets in Figure 3.4.
23. Source: FDIC. Insured Call Report filers only. Unrealized losses on securities solely reflect the difference between the market value as of quarter end and the book value of non-equity securities. Data as of September 30, 2023.
24. Source: FDIC. Data as of September 30, 2023.
25. Analysis consists of the 16 open-ended BDCs that are tracked by Stanger as of November 2023. Financial data on total assets at fair value as of September 30, 2023. Assumes 5% maximum redemption on 50% of total assets.
26. Source: PitchBook LCD. Average quarterly volume of CLOs for 2023.

Disclaimer

Disclaimer (cont.)

Note: For Additional Important Disclosure Information, please refer to the Footnotes of each section of this document, as needed.

REF: AM-03124

ARES

aresmgmt.com