BROADLY SYNDICATED SENIOR SECURED FIRST LIEN LOANS

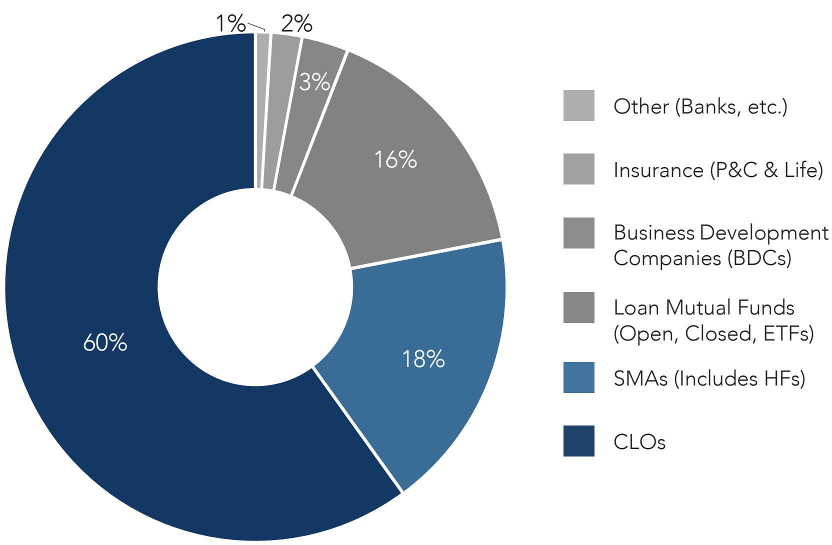
SUMMARY OF THE BROADLY SYNDICATED MARKET

Senior secured loans are floating rate instruments issued by companies that are below investment grade. Within the non-bank lending market, there are private direct loans and broadly syndicated loans (also commonly referred to as leveraged loans).

The direct lending market is comprised of financings directly negotiated between the borrower and lender, where the borrower is typically a small or medium sized enterprise with below investment grade credit ratings (or no ratings at all). In contrast, the broadly syndicated market is much larger, with borrowers working with banks to originate and syndicate large debt tranches to a diverse assortment of investors.

The borrowers in the broadly syndicated market tend to be larger companies than those found in the direct lending market; the borrowers are mostly all rated below investment grade. The broadly syndicated market in the US has grown to an over $1 trillion marketplace. The larger deal sizes, more diverse investor base, and generally more transparent marketplace leads to a much greater degree of liquidity in broadly syndicated deals as compared to private direct deals.

The investor base for broadly syndicated deals is quite diverse, though dominated by collateralized loan obligations (CLOs). Barclays estimates that US CLOs own $593 billion of the broadly syndicated loans outstanding. The buyer base for CLOs is dominated by banks and life insurance companies. Other investment vehicles including ETFs, mutual funds, separately managed accounts, and BDCs provide access to the broadly syndicated market for both retail and institutional investors.



Source: Barclays Research, S&P LCD, Lipper, Bloomberg, EPFR, HFR, Credit Flux, Federal Reserve, Refinitiv, Kaneri, Bloomberg Barclays Indices. As of October 31, 2018.

BENEFITS OF INVESTING IN **BROADLY SYNDICATED FIRST LIEN LOANS**

Senior and secured first lien loans have **first lien on the assets** of the borrower and **benefit from junior capital below**

Average loan size of **+$500 million** to a private credit provides liquidity to **trade in or out of the investment,** which lends to opportunistic purchases in the secondary market

Loans are **floating rate instruments** which may provide for yield and inflation protection

The market is dominated by top tier sponsor-backed borrowers; these **private equity firms lend their expertise** to the firms' management teams

Covenant packages **limit borrowers from certain activities** that could be to the detriment of the lenders

POTENTIAL RISKS **TO CONSIDER**

1 Liquidity Risk

Liquidity risk occurs when an individual investor, business, or financial institution cannot meet its short-term debt obligations.

2 Market Risk

Market risk affects the performance of the entire market simultaneously.

3 Operational Risk

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies.

4 Funding Risk

The risk associated with the impact of higher funding costs or lack of availability of funds.