



Credit Outlook

May 6, 2025

Panelists



Drew McKnight

Co-CEO
Fortress Investment Group



Purnima Puri

Governing Partner
HPS Investment Partners, LLC



Lee Kruter

Partner and Head of Performing Credit
GoldenTree Asset Management LP



Christian Stracke

President and Global Head of Credit Research Group
Pacific Investment Management Company



James Reynolds

Global Co-Head, Private Credit
Goldman Sachs



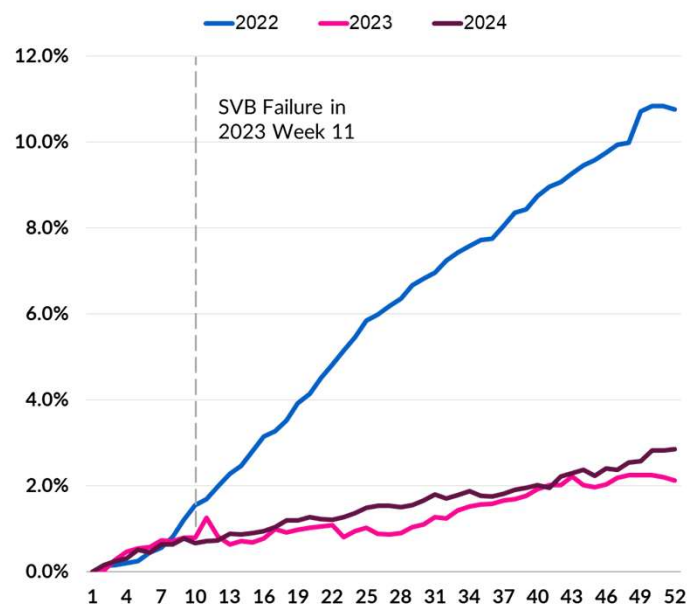
Michael Milken

Chairman
Milken Institute

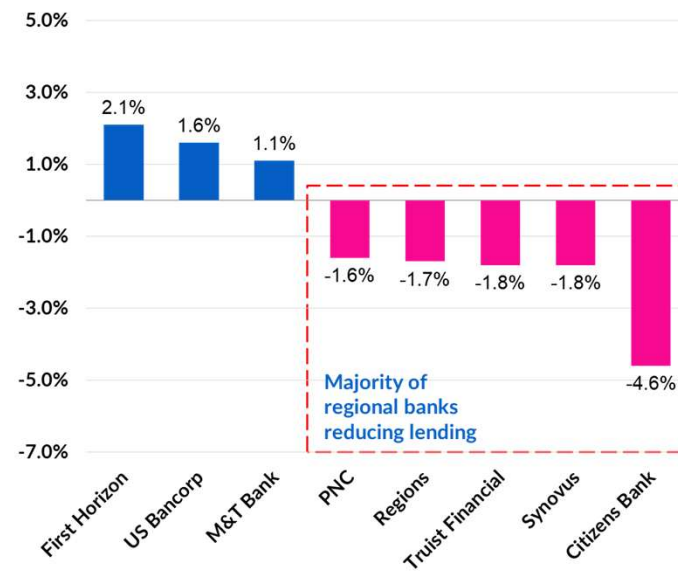
MODERATOR

Bank retrenchment has accelerated since the regional bank crisis in 2023

Cumulative loan growth for US Banks



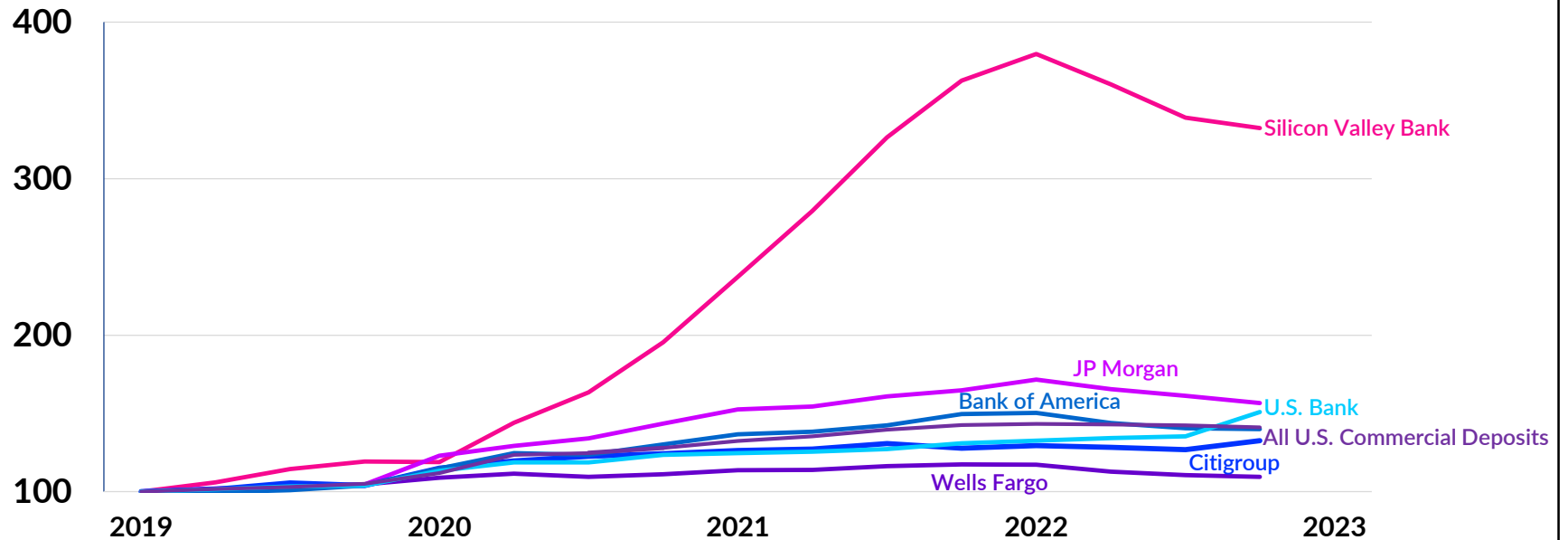
Q4 2024 loan growth of regional banks (% YoY)



PIMCO

Silicon Valley Bank Deposit Growth

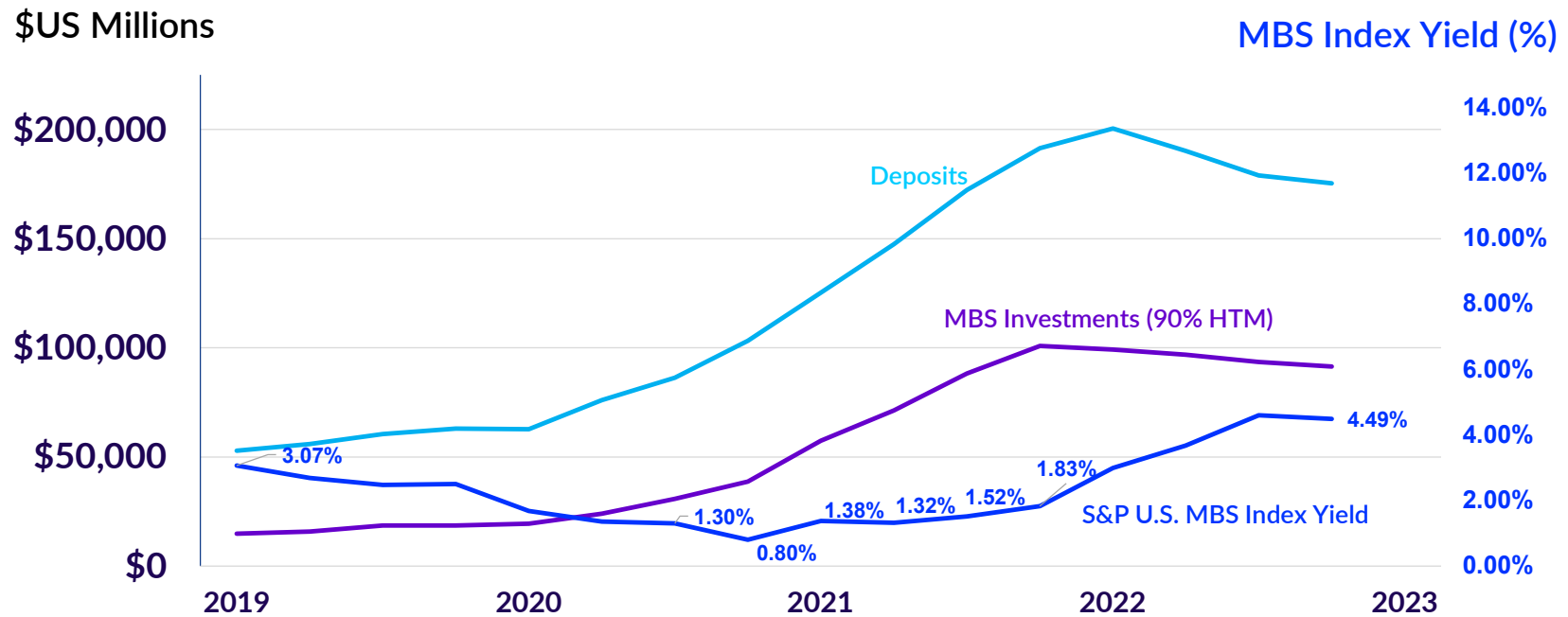
Deposits (\$) Re-based to a value of 100



Source: CapIQ (3/11/2023)

2025 GLOBAL CONFERENCE

SVB Balance Sheet



Note: HTM indicates the Mortgage Backed Securities were classified as 'Held-to-Maturity.'
 Source: CapIQ (3/11/2023)

Importance Of Geographic Diversification

US

Benefits

- Large, deep, established market
- Comparative public pricing info
- Borrower familiarity with product
- Access and availability of data
- Strong macroeconomic backdrop

Key Considerations

- Competitive landscape
- Taxes (non-US investors)

EUROPE

Benefits

- Geographic diversification of borrowers and revenues
- Pricing premium
- High barriers to entry
- Few scale players
- Tighter documentation

Key Considerations

- Macroeconomic backdrop
- Transparency

ASIA

Benefits

- Pricing premium vs. US and Europe
- Generally lower leverage
- Strong documentation
- Lower LTV and resiliency
- Favorable competitive dynamics

Key Considerations

- Size
- Transparency
- Data availability
- Limited manager experience

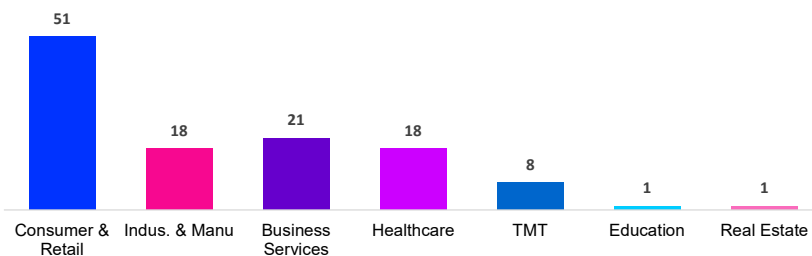
Source: Goldman Sachs Asset Management. Asset deployed excludes dry powder of \$37.8B. For Illustration Purposes Only. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. This material has been prepared by Goldman Sachs Asset Management, is not financial research nor a product of Goldman Sachs Global Investment Research (GIR), was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. The views and opinions expressed may differ from those of GIR or other departments or divisions of Goldman Sachs and its affiliates. Views and opinions expressed are for informational purposes only and do not constitute a recommendation by Goldman Sachs Asset Management to buy, sell, or hold any security or interest. Views and opinions are current as of the date of this presentation and may be subject to change. SEAL 508174

Goldman Sachs Asset Management

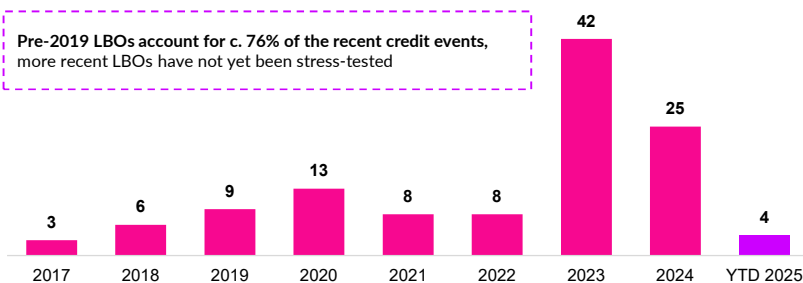
Debt-to-Equity Swaps in European Direct Lending

The First Test for Private Credit

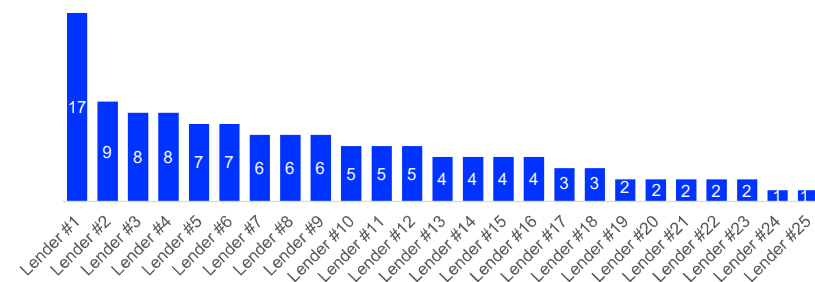
Breakdown by Sector (# Investments)



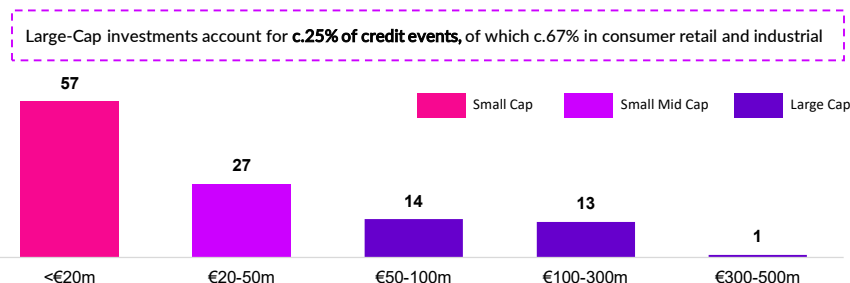
Credit events by year (# Investments)



Breakdown by Direct Lenders with > 2 Names^{1,2} (# Investments)



Breakdown by EBITDA (# Investments)



Data shown includes debt-to-equity swaps dating from 2018 to March 2025. Note that this may not be an exhaustive list and is being shown for illustrative purposes only. Source: Goldman Sachs Asset Management as of March 2025, public sources used - KBRA, Debtwire, 9fin. ¹Incl. Investments that have multiple lenders hence one investment can be counted more than once for different lenders; ²Only included third-party funds investing names for GS. ³For the purposes of this analysis, credit events are defined as debt-to-equity swaps or bankruptcies. Past performance does not predict future returns and does not guarantee future results, which may vary. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice. This material has been prepared by Goldman Sachs Asset Management, is not financial research nor a product of Goldman Sachs Global Investment Research (GIR), was not prepared in compliance with applicable provisions of law designed to promote the independence of financial analysis and is not subject to a prohibition on trading following the distribution of financial research. The views and opinions expressed may differ from those of GIR or other departments or divisions of Goldman Sachs and its affiliates. Views and opinions expressed are for informational purposes only and do not constitute a recommendation by Goldman Sachs Asset Management to buy, sell, or hold any security or interest. Views and opinions are current as of the date of this presentation and may be subject to change. SEAL 508174

The Nature of Credit

1. Credit is what counts, not leverage.
2. Most loans to real estate are not investment-grade.
3. Interest rates are volatile and unpredictable.
4. Credit research is more than ratings.
5. Sovereign debt is historically risky.
6. Debt values underpin all capital markets.



2025 GLOBAL
CONFERENCE

COMPELLING CREDIT INVESTING ENVIRONMENT

Drivers of Opportunity

Increasing volatility and economic uncertainty

Disintermediation of banks

Dislocation and lack of liquidity in the PE industry

Increase in defaults and upcoming maturity wall

What's Interesting Right Now

ASSET BACKED

Shifts in liquidity in the financial system have created opportunities to fill the void for purchasing or financing assets including forward flows from origination platforms that are replacing capital or expanding financing options

SECONDARIES

Opportunities to provide custom financing solutions to hedge fund and PE industry. Ability to also provide flexible capital solutions for traditional equity investments

BANK OPPORTUNITIES

Banks are looking to reduce real estate exposures, creating opportunities to transform bank balance sheets with holistic capital structure solutions as well as opportunity to purchase assets or take market share on new originations

STRESSED AND DISTRESSED OPPORTUNITIES

Use capital solutions or secondary trades to target good companies with bad balance sheets, with focus on predictable cash flows and/or complicated restructurings where risk is misunderstood

ESOTERIC ASSET CLASSES

Invest in non-correlated strategies that are not subjected to general economic conditions such as Legal Assets, Intellectual Property, NPLs and sub-performing loans / receivables

Disciplined and selective investing as pressures begin to build in financial sector



FLEXIBILITY TO PIVOT ACROSS ASSET CLASSES

1

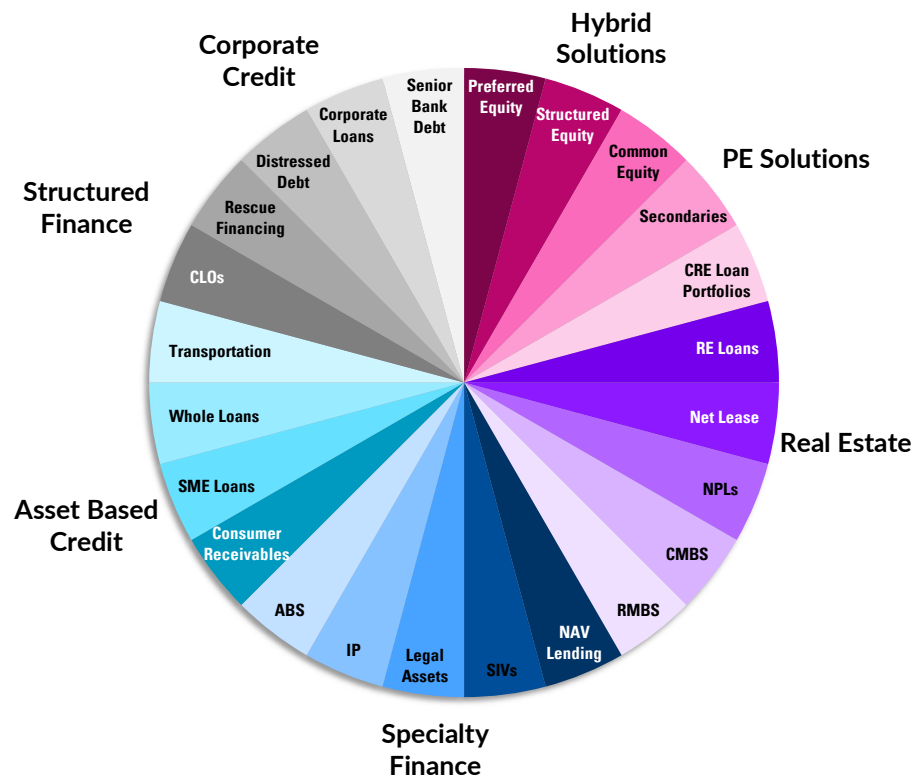
We view credit as a single broad asset class across seven distinct investment strategies

2

Flexible approach to pivot between sectors and across private and public transactions allows us to participate in any investment environment

3

Fortress is an “all seasons” investor that has invested through multiple distress cycles since 2002



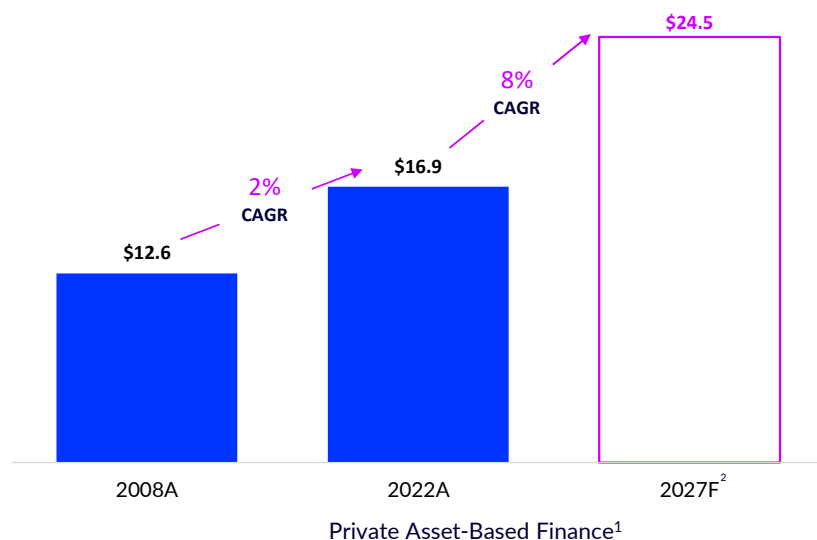
“Just because you do not
take an interest in politics, it
doesn't mean politics won't
take an interest in you.”

— *Pericles* (431 BCE)



The Opportunity Set for Private High-Grade Solutions is Evolving

Market Size of Private Asset-Based Finance (\$T)¹



Where we live, work and travel
Real estate finance



The energy we use
Infrastructure finance



The production and transportation of the goods we consume
Equipment lease finance



Where we go to eat
Franchise finance



How we communicate
Data center, cell tower and fiber optic finance



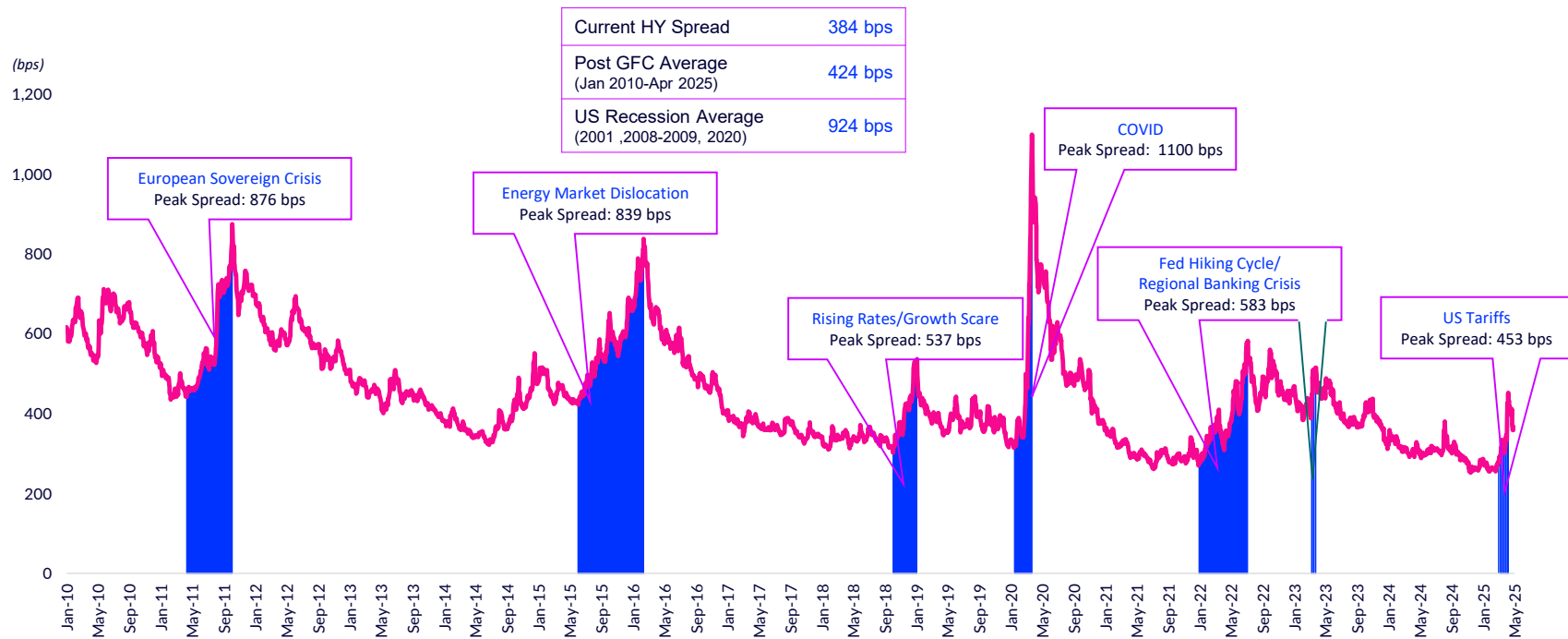
What we watch, listen to and cheer for
Media, music and sports royalty finance

REPRESENTS HPS'S SUBJECTIVE VIEWS AND OPINIONS AS OF THE DATE HEREOF AND IS SUBJECT TO CHANGE DEPENDING ON THE MARKET ENVIRONMENT. This information is for illustrative purposes only and should not be interpreted as recommendations to buy or sell any securities. ¹Total Asset Backed Market Size is calculated by combining the outstanding U.S. residential mortgage volume (as reported by the Federal Reserve Bank of New York, Center for Microeconomic Data) with the Financial Stability Board's outstanding Economic Function #2 (global). ²Total Asset Backed Market Size in 2027 is forecasted by applying the 3-year compound annual growth rate of both component datasets, from 2019 to 2022.

HPS

High Yield Spreads Are Well Inside of Peaks in Prior Periods of Market Stress

Bloomberg US High Yield Index Spread to Worst

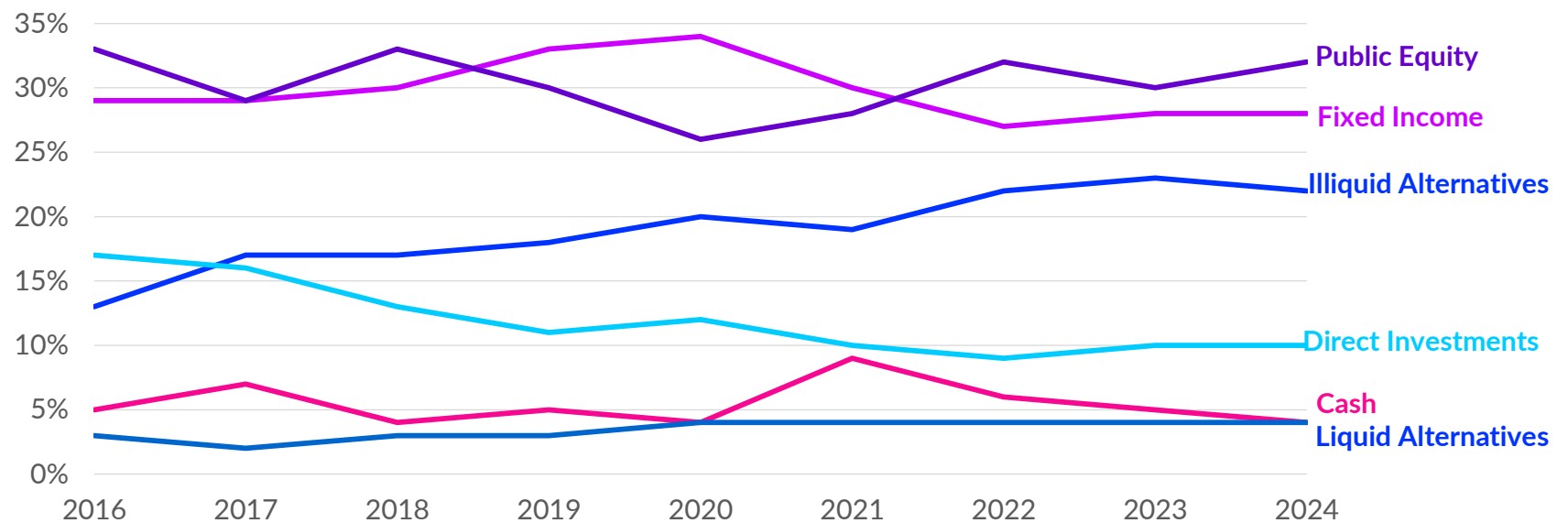


As of April 30, 2025. Bloomberg US High Yield Index OAS. US Recession average represents the average daily spread during NBER recessions since 2001 (March – November 2001, December 2007–June 2009, and February 2020 – April 2020).

HPS

US Stocks vs Global Markets in 2025

Asset allocation trends (% AUM)



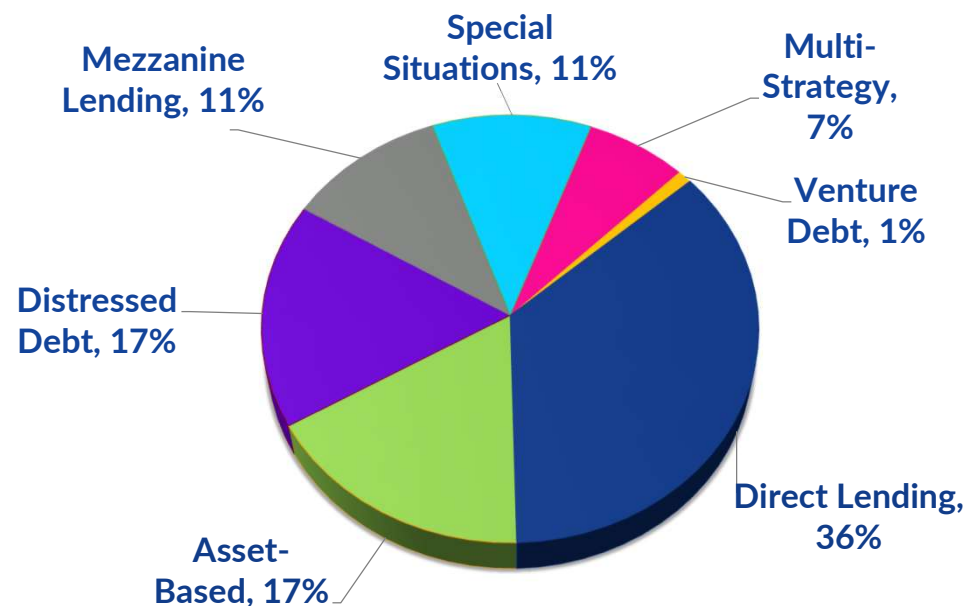
Source: Invesco 2024



2025 GLOBAL CONFERENCE

Global Private Credit

Share of Global Private Credit AUM by Sub-Strategy



Direct Lending now makes up **36%** of the total Private Credit market, up from **9%** in 2010.

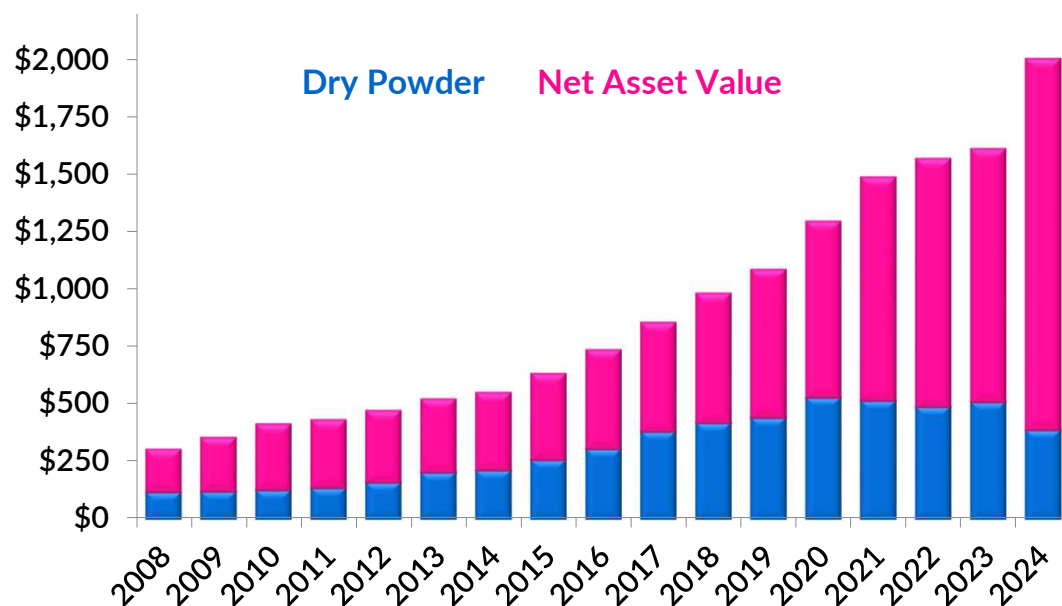
Source: Morgan Stanley (2/21/2025)



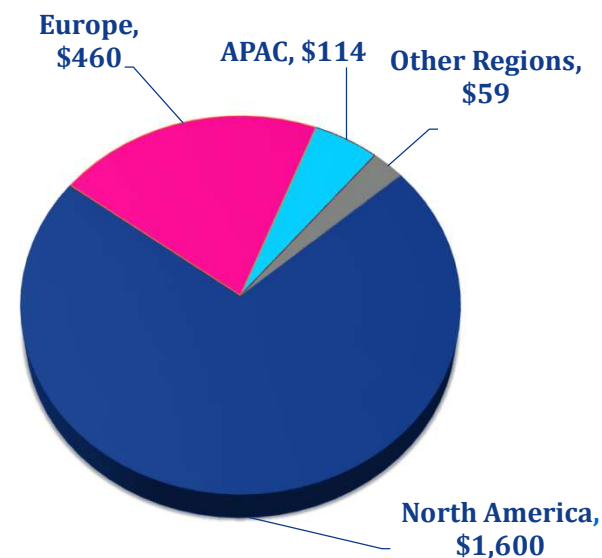
2025 GLOBAL CONFERENCE

Global Private Credit

Private Credit AUM, \$US Billions



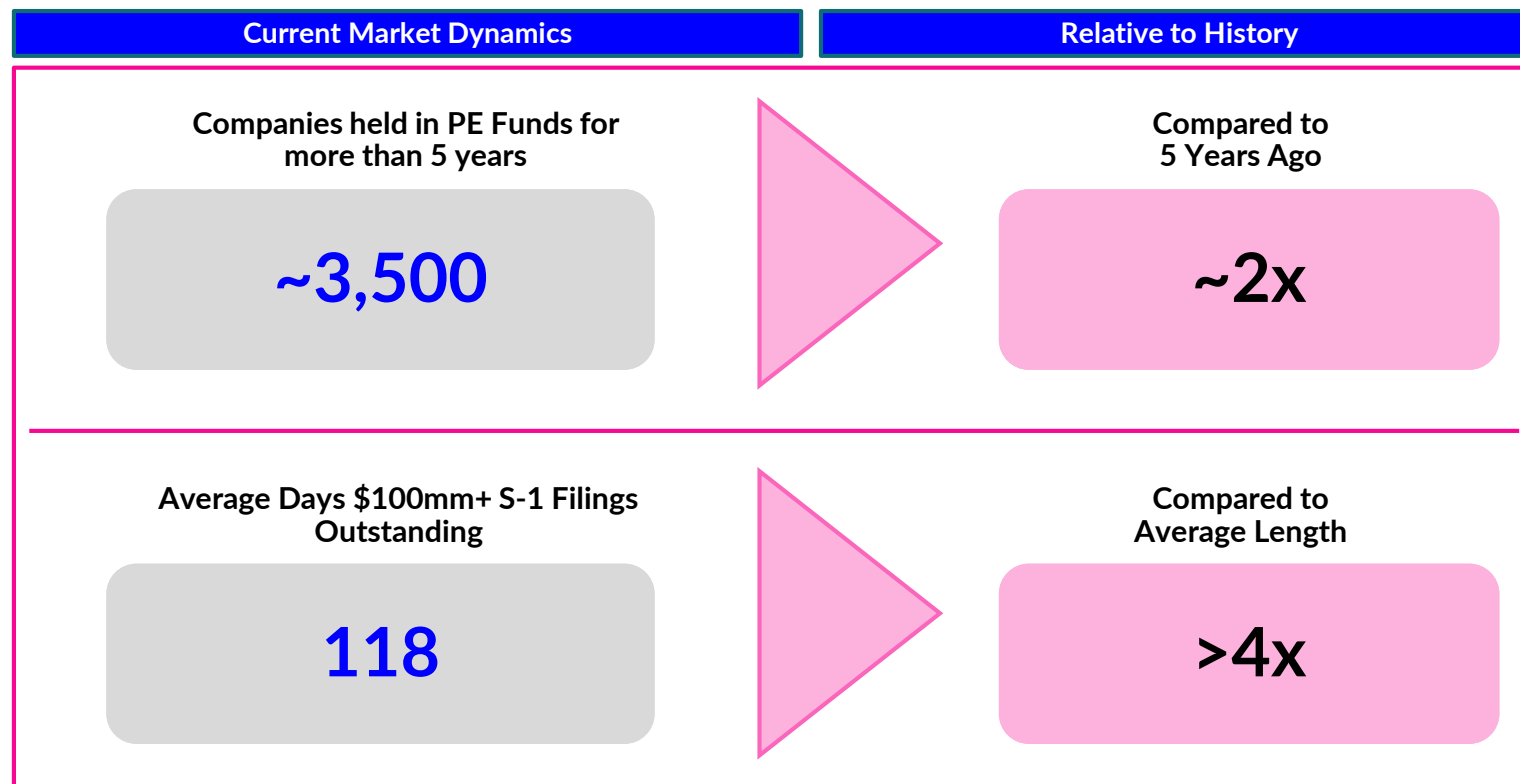
Source: Federal Reserve (2/2024), Dechert LLP, Preqin & S&P Global (1/6/2025), MI Calculations



2025 GLOBAL CONFERENCE

Stagnant IPO Market Creates Opportunities

Growing demand from private equity firms for capital solutions



As of April 23, 2025. Sources: FBN Securities, Pitchbook. Average length of S-1 filings is typically 15-30 days utilizing S-1 filing outstanding length in 2019. Companies held in PE Funds 5 years ago uses count at YE 2019.





Debt maturing in:

2025

2026

2027

Total debt maturing

\$2.08 trillion

\$2.62 trillion

\$2.51 trillion

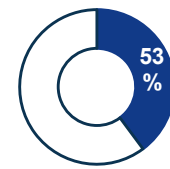
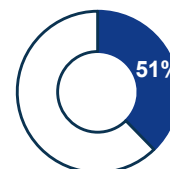
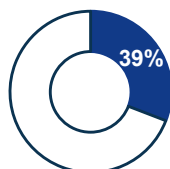
Speculative-grade
debt maturing

\$252 billion

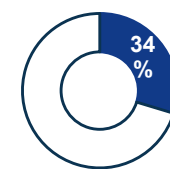
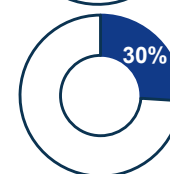
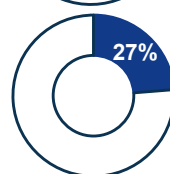
\$508 billion

\$615 billion

% of SG floating rate



% of SG "B-" and lower

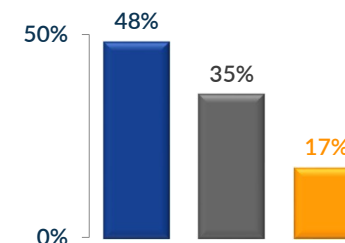
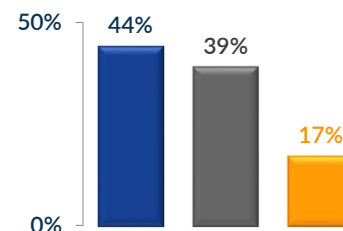
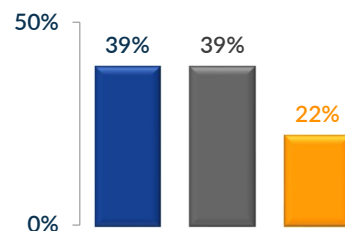


Regional breakout:

U.S.

Europe

Rest of World



Note: Includes bonds, loans, and revolving credit facilities that are rated by S&P Global
Source: S&P Global Credit Trends Report (2/4/2024)

2025 GLOBAL
CONFERENCE

ASSET MANAGEMENT ESSENTIAL FOR MARKET TURBULENCE

Asset management is a core tenet of Fortress and we have invested in a market-leading, scaled team that can maximize recoveries when challenges arise.

160

Dedicated Asset
Management
Professionals

14

Avg. Years Working
Together¹

Bottoms-up analysis with deep understanding
of collateral value, cash flows and risks

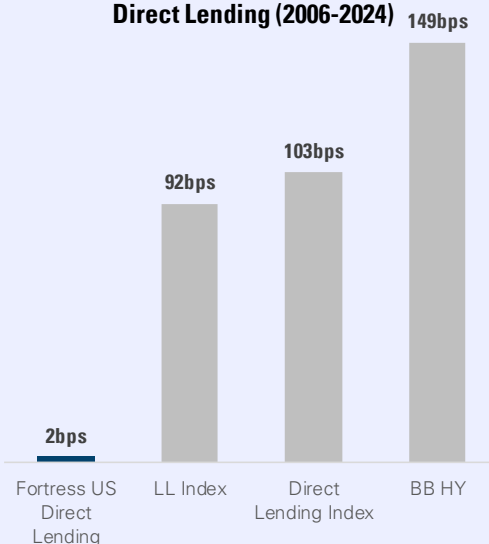
Frequent communication with borrowers and
other counterparties to identify and address
issues early

Extensive in-house restructuring expertise to
maximize recoveries

Proactive process (monthly and quarterly) to
monitor assets and identify risks early

LOW REALIZED LOSS RATE VS INDICES²

Illustration of Capabilities within Direct Lending (2006-2024)



¹ Represents average years working Fortress for managing directors on the asset management team.

² Represents annualized realized loss rate for Fortress US Direct Corporate Loans from 2006. Indexes represent historical loss rate (annualized credit loss since 2005 to Q4 2023).

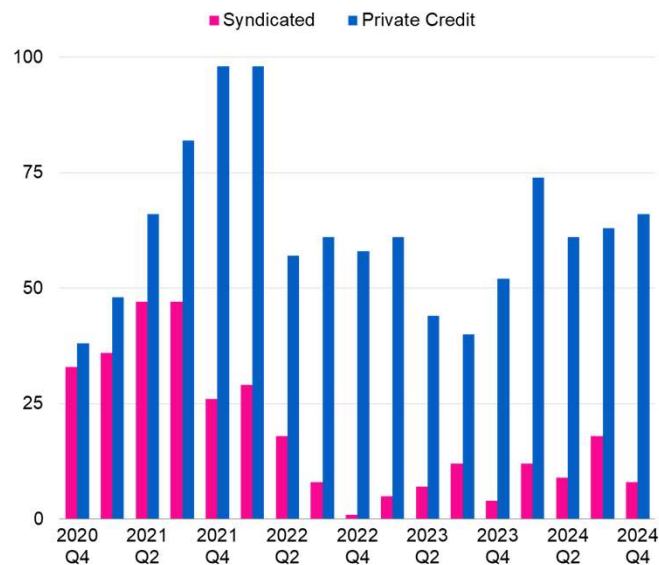
Source: Fsinvestments.com "Private credit loss rates don't support draconian headlines", May 24, 2024.



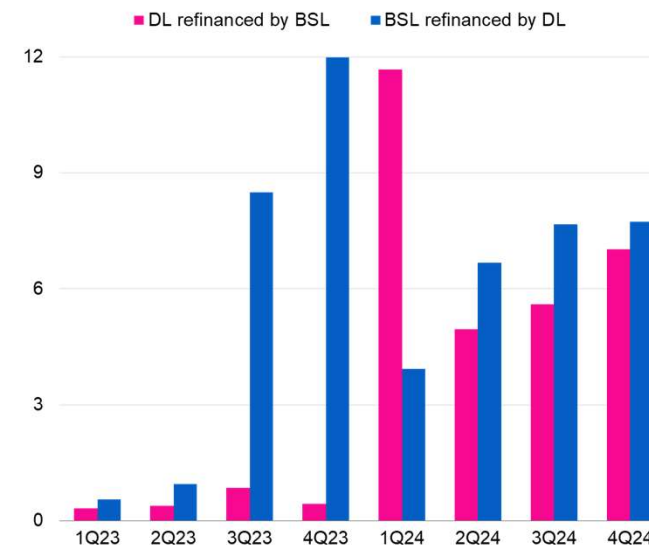
Public and private senior loan markets continue to converge

Borrowers are optimizing execution by evaluating public and private solutions

Number of LBOs financed in BSL and private credit market



Syndicated loans and direct lending takeouts (\$bn)



As of 31 December 2024. Source: PitchBook LCD. For illustrative purposes only. Chart 1: Private credit count is based on transactions covered by LCD News.



There can be no guarantee that the trends above will continue. Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. Refer to Appendix for additional investment strategy, outlook and risk information.

PIMCO

Idiosyncratic Opportunities in Europe

Despite negative market sentiment in early 2025, several key positive tailwinds in Europe create an attractive backdrop for idiosyncratic investment opportunities

Positive Tailwinds				
Increased infrastructure and defense spending	Lower energy prices	ECB Rate Cuts	Stronger EUR	Potential for deregulation

Relative Value				
	Examples		Relative	
			Average	Relative to US Loans
Spread (bps)	625	800	712	+330
LTV	~50%	~50%	~50%	-
USD Target Return	14%	13%	14%	+500

Source: GoldenTree internal assumptions and analysis. 1. Reflects rolling 30-day new issue first lien US BSL activity. US Credit Markets Weekly Wrap, April 24, 2025. LTV based on GoldenTree broader market observations. USD Target Return reflects YTM



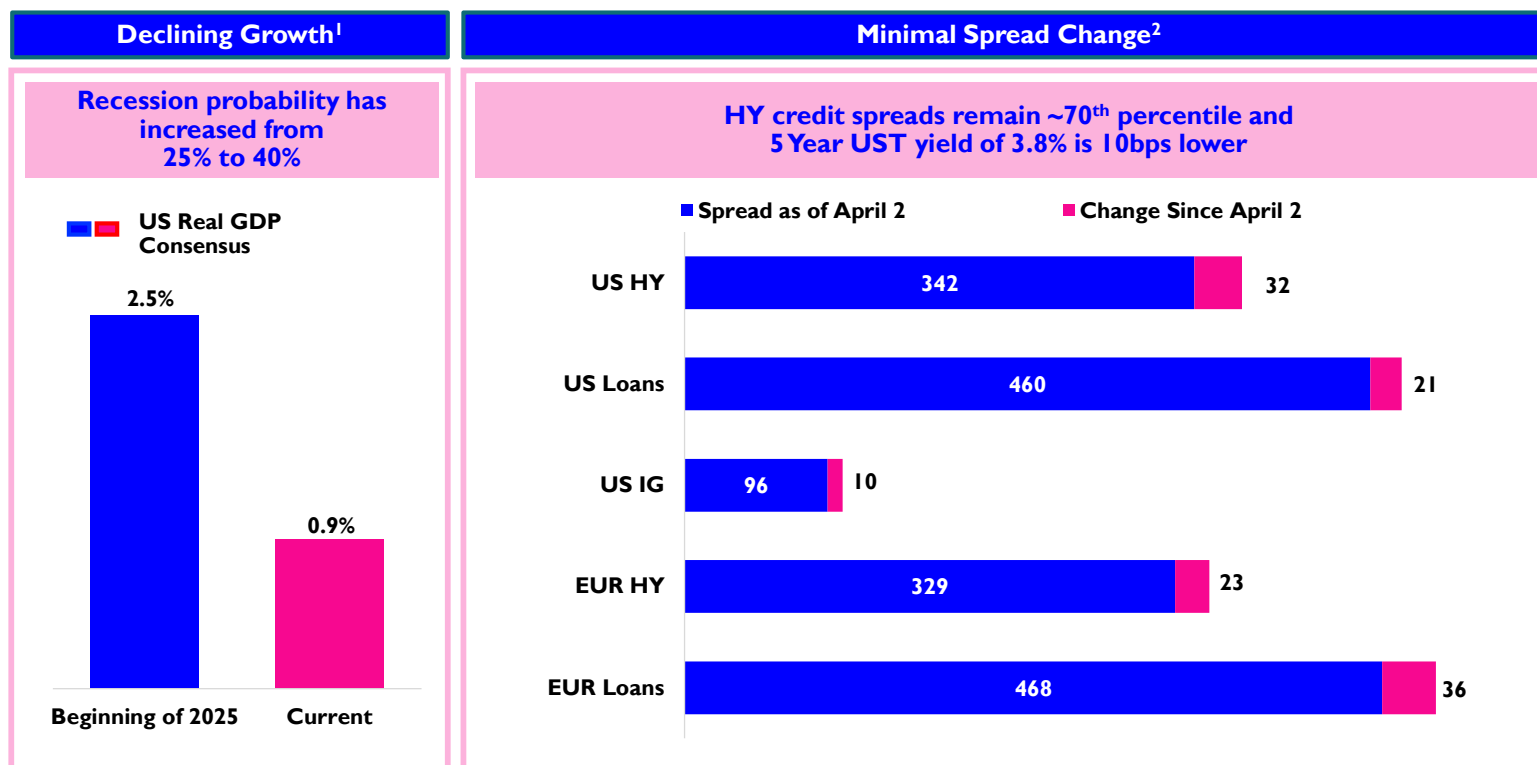
Solutions for Sponsors to Crystallize Value

Catalysts	GoldenTree Investments Release Value			
Sponsors and Investors Focused on Return of Capital	Portfolio Company	Industry	% of Sponsor Investment Returned	% of Enterprise Value Returned
Closed IPO market	Tricentis	Technology	~600%	~30%
Limited M&A Activity	Recorded Future	Technology	~100%	~20%
	MILK SPECIALTIES GLOBAL	Consumer Goods	~40%	~15%

Source: GoldenTree internal assumptions and analysis.



Economists Are Too Pessimistic or Credit Investors Are Too Optimistic



1. Source: Bloomberg consensus forecast as of April 30, 2025. Recession probability based on GS estimates. 2. As of April 29, 2025, except US/EUR loans which are as of April 25, 2025. Source: ICE, Pitchbook, Bloomberg. US HY based on spreads of ICE BofA US High Yield Index; US Loans based on 3Y discounted spreads of S&P LSTA Index and Change from Liberation Day (4/2) is based on change from March 31, 2025; US IG based on spreads of ICE BofA US Corporate Index; EUR HY based on spreads of ICE BofA European High Yield Index; EUR Loans based on 3Y discounted spreads of S&P ELLI Index.



Unique Opportunities in Structured Credit

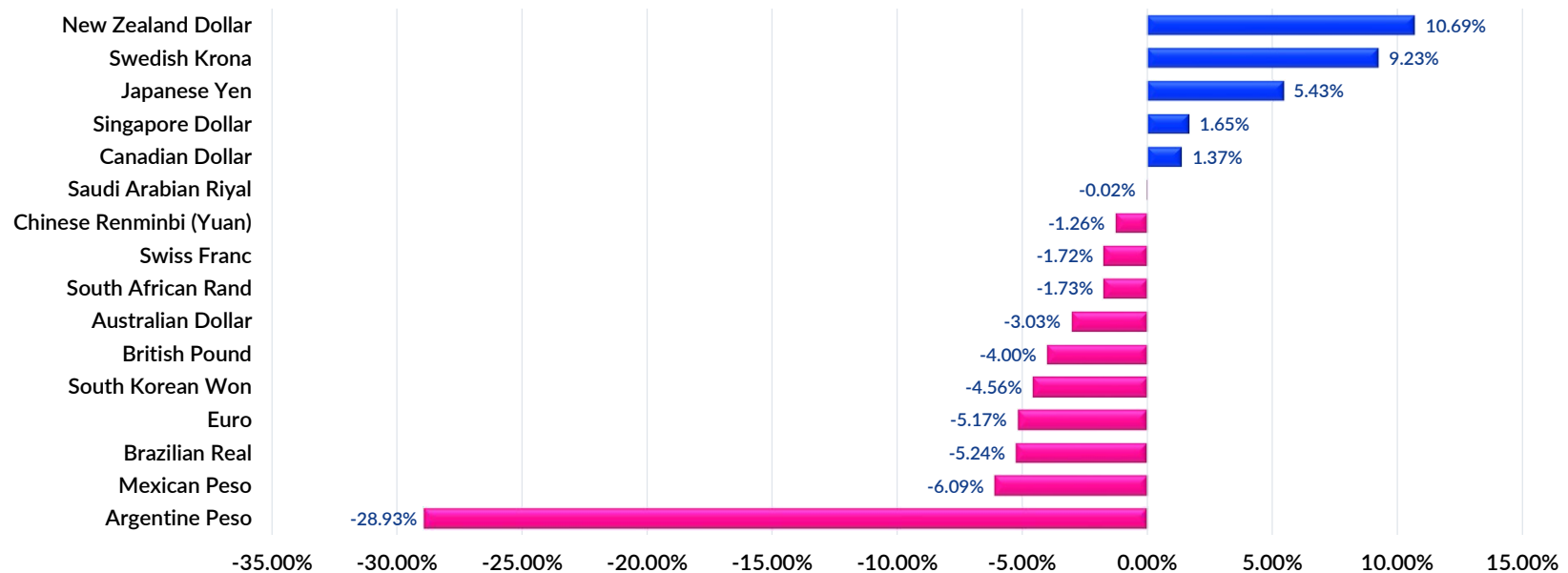
Compelling Return Profiles with High Margin of Safety			
	US Loans	Capital Call Line CRT	Non-QM RMBS
Collateral Type	N/A	Capital Call Facilities	Non-Agency RMBS
Asset Rating	B	AA- / A+ ¹	BB
Yield	9%	10%	8%
Breakeven Multiple of Peak Defaults	<0.5x	3x	+2x
Target Return	10%	15%	10%+

Source: GoldenTree. Based on data as of each transaction's respective close date. 1. Represents assumed rating as capital call facilities are not rated by agencies.



Currency Returns 2024 to Today

Percent, as appreciation/depreciation versus U.S. Dollar



Note: 1/1/2025 as base

Source: FRED, Yahoo Finance (4/27/2025).

2025 GLOBAL CONFERENCE