S&P Global
Ratings

U.S. Leveraged Finance And BSL CLO Quarterly

Shifting Credit Sentiments

Q2 2025

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May 9, 2025

This report does not constitute a rating action

Quarterly Update | Leveraged Finance And BSL CLOs

- **Soft Landing Upended By Tariff And Policy Disruptions:** The U.S. economy has been weakened by seismic and abrupt shifts in U.S. trade policies (and other administrative initiatives) and heightened economic and policy uncertainty. Tariff-driven cost pressures, slowing domestic demand, economic and policy uncertainties, and persistent inflation are expected to drag real GDP growth to just 0.9% by the final quarter of 2025--well below our prior 1.6% forecast for that quarter. Core inflation is now likely to reaccelerate, with core CPI rising to 4.0% and core PCE to 3.6% by year-end.

- **Credit Momentum Likely To Stall:** Speculative-grade credit entered 2025 on firmer footing based on strong economic performance and accommodative financial markets, with default rates peaking at 5.1% and the share of negative outlooks falling to 19%. But the runway for further improvement is cloudy at best, with considerable downside risk. Expectations for mid-single-digit EBITDA growth now appear hopeful given our expectations for slowing domestic demand and tariff-driven cost pressures, disruption, and uncertainty. While we currently anticipate 50 basis points (bps) of Fed rate cuts this year, the central bank remains focused on inflation risks, limiting relief for lower-rated issuers already grappling with cash flow deficits and persistent refinancing needs.

- **Declining Recovery Expectations:** More top-heavy debt structures have eroded 1L recovery expectations, as shown by the decline in our recovery ratings (which estimate future recovery rates on rated debt in a default scenario) on first-lien debt to the mid-to-low-60% area over the past eight years, compared to long-term average actual recoveries of 75%-80%. Further, aggressive loan liability management transactions (LMTs) have proliferated, often creating winners and losers among 1L lenders in the same loan (see slides 27-28).

Quarterly Update | Leveraged Finance And BSL CLOs

- **Investors Turn Defensive:** Conversations reveal investors believe tariffs pose limited first-order risk, with fewer than 20% of portfolio companies directly exposed. Still, investors have shifted to a defensive posture, with many investors "moving up in quality" and reducing cyclical bets, to brace for broader second-order pressures and heightened volatility.
- **Private Credit Effect:** We expect private credit markets to demonstrate their unique ability to deliver bespoke financing solutions in difficult markets. However, smaller issuers could struggle to offset rising costs and macro weakness, which could drive more selective defaults (see "Private Credit And Middle-Market CLO Quarterly: Unknown Unknowns (Q2 2025)," published April 25, 2025).
- **BSL CLO Rating Outlook:** Despite elevated downgrades among speculative-grade corporate borrowers in late 2022 and 2023 (see slide 39), ratings on broadly syndicated loan (BSL) collateralized loan obligation (CLO) transactions were mostly stable over the period (see slide 52). However, in addition to corporate rating downgrades, BSL CLOs have also seen a reduction in their weighted average recovery rate (WARR) and weighted average spread (WAS) metrics in recent years (see slide 33). We think these factors, combined with par loss, will lead to an increase in 'BB' tranche CLO rating downgrades this year, with most of the impact falling on CLOs originated prior to the pandemic in 2020. Some of these are already showing signs of stress.

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Broadly Syndicated Loan CLOs:

Leveraged Finance And Corporate Ratings

Credit Themes | What We Are Watching

The Risk Of An Economic Recession

35%

As of May 1, 2025

Health Of The Consumer

4.4%-4.6%

2025f- 2026f U.S. forecasted unemployment rate as of May 1, 2025

2025 Issuer Default Rate Forecast

3.5%-6.0%

Base case-to-pessimistic case as of April 25, 2025

1L TL Restructurings: Pro Rata Offers Exceed Lop-sided LMTs

66%

Five quarters ending March 31, 2025

f—Forecast. Source: S&P Global Ratings.

Credit Themes | Higher Tariffs Are A Top Concern For Many Corporate Borrowers

Key North American sectors to watch amid tariff uncertainties

Potential credit impact 🟦 Somewhat positive impact ⬜ Minimal impact 🟥 Somewhat negative impact

U.S.

Sector	Key factors
🟦 Chemicals	In the near term, some chemicals subsectors could benefit from higher product prices if imports of competing products rise due to tariffs.
🟦 Metals and mining	Steel and aluminum tariffs support the credit quality of domestic companies with volume gains, higher prices, and ultimately stronger profitability.
⬜ Oil and gas	Limited pipeline options lock in trade relationship between Canada and the U.S., with both parties sharing higher costs. Higher tariffs could lead to investments in the supply chains to diversify customer bases.
🟥 Health care /pharmaceuticals	Generic drug manufacturers have narrow margins and are dependent on global suppliers. Commodity-like but critical medical supplies are sourced internationally, and therefore these companies are subject to rising input costs.
🟥 Technology	Highly engineered products employing advanced manufacturing processes are difficult and costly to relocate (e.g., semiconductors, complex electrical components).
🟥 Utilities/renewables	Highly engineered products employing advanced manufacturing processes are difficult and costly to relocate (e.g., solar panels, battery chemistries, wind turbines).
🟥 Automotive	Lower volumes would likely follow higher prices necessitated by supply shortages, increased production volatility, and the potential for increased capital spending to relocate production.
🟥 Consumers products /retail	Companies with domestic manufacturing and pricing power may fare better. However, consumers are increasingly sensitive to rising prices.

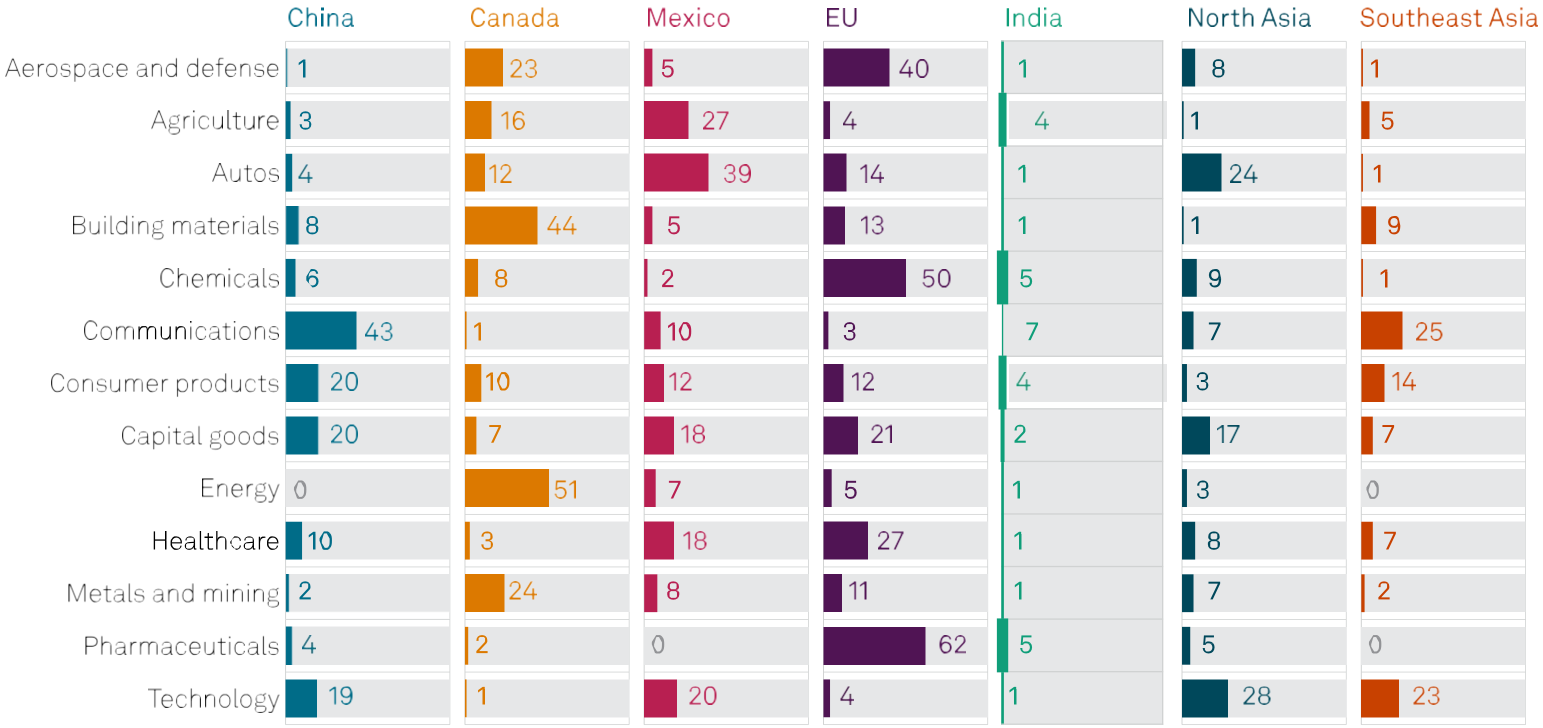
CANADA

Sector	Key factors
🟥 Automotive	Auto suppliers with U.S. exposure may have initial success passing on costs but may suffer from falling demand due to higher end market prices.
🟥 Building materials	The sector already faces challenging market conditions and ~15% in antidumping and countervailing duties.
🟥 Consumers products /retail	Retaliatory tariffs and a weaker economy with rising prices will constitute long term headwinds, which are only partially mitigated by a relatively weaker Canadian dollar.
🟥 Oil and gas	Excess U.S. refining capacity and limited pipeline options locks in trade relationships between Canada and the U.S., with both parties sharing higher costs. In Canada's case, these exports represent a far larger share of their domestic economy magnifying tariff ripple effects.

This qualitative assessment reflects potential impact of President Trump's tariff measures as assumed in our current macroeconomic base case on North American nonfinancial corporate sectors. For our tariff assumptions, see "Economic Outlook U.S. Q2 2025: Losing Steam Amid Shifting Policies," published March 25, 2025. Source: S&P Global Ratings.

Credit Themes | U.S. Tariffs Impact On Corporates Can Be Reduced By Mitigants

Share of U.S. imports by product group and trading partner in 2024 (%)

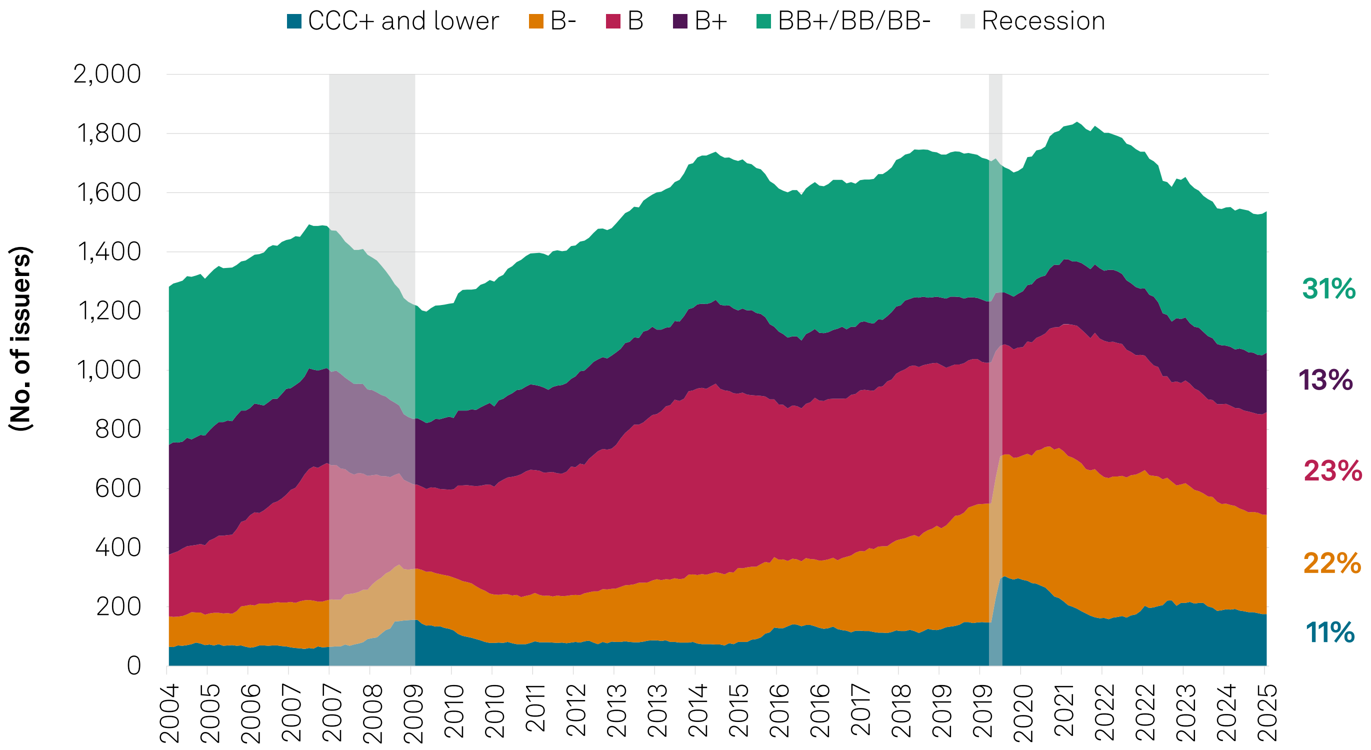


North Asian economies--Japan, Korea and Taiwan. Southeast Asian economies--Malaysia, Thailand and Vietnam. The percentages of each row don't necessarily add up to 100% given the incomplete list of trading partners. Sources: U.S. Census Bureau, S&P Global Ratings' calculations.

- U.S. companies are not immune to tariffs if they produce outside of the U.S.
- We note that the real impact of the new tariffs on the global portfolio of rated corporates is highly dependent on mitigants, which in many cases can significantly offset the potential negative effects.
- Local production is the strongest mitigant; U.S. and foreign corporates that produce within U.S. territory are avoiding tariffs. This is more common in sectors that produce heavy and difficult-to-move goods such as cement or cables.
- The second-best mitigant is the ability to pass tariffs entirely or partially to final customers. These goods typically lack substitutes, such as pharmaceutical covered by patents or certain specialty products in the chemical sector.

Rating Trends | Issuers Rated ‘B-’ And Lower Have Fallen to 33% Compared to Prior Year First Quarter of 36%

U.S. and Canada SG ratings distribution by issuer count (as of March 2025*)



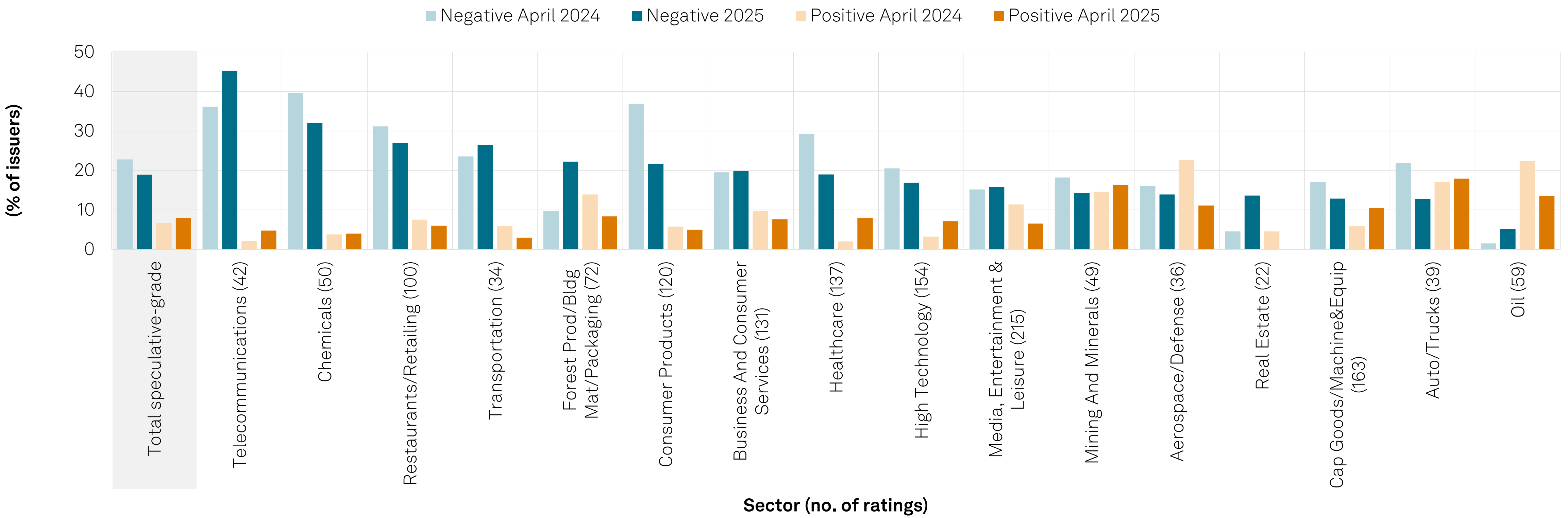
*Data as a % of SG Ratings March 31, 2025. SG--Speculative grade. Sources: S&P Global Ratings and CreditPro.

- About 22% of our speculative-grade issuer ratings (by issuer count) are rated ‘B-’. The proportion declined 500 bps from its 28% peak in mid-2021.
- The speculative-grade issuer population fell modestly for the 12 months ending March 31, 2025. Our rating distribution showed an increase in ‘B’ rated issuers to 23% as of March 31, 2025, from 22% on Dec. 31, 2024.
- There was a slightly favorable shift, with ‘CCC’ category issuers now accounting for about 11% of our portfolio, which remains high but below the COVID-19 and global financial crisis (GFC) peak levels of 18% and 12.8%, respectively.

Rating Trends | Positive Credit Momentum Likely To Stall On Economic And Trade Headwinds

Speculative-grade rating outlook by sector*

U.S. and Canada (as of April 2025)

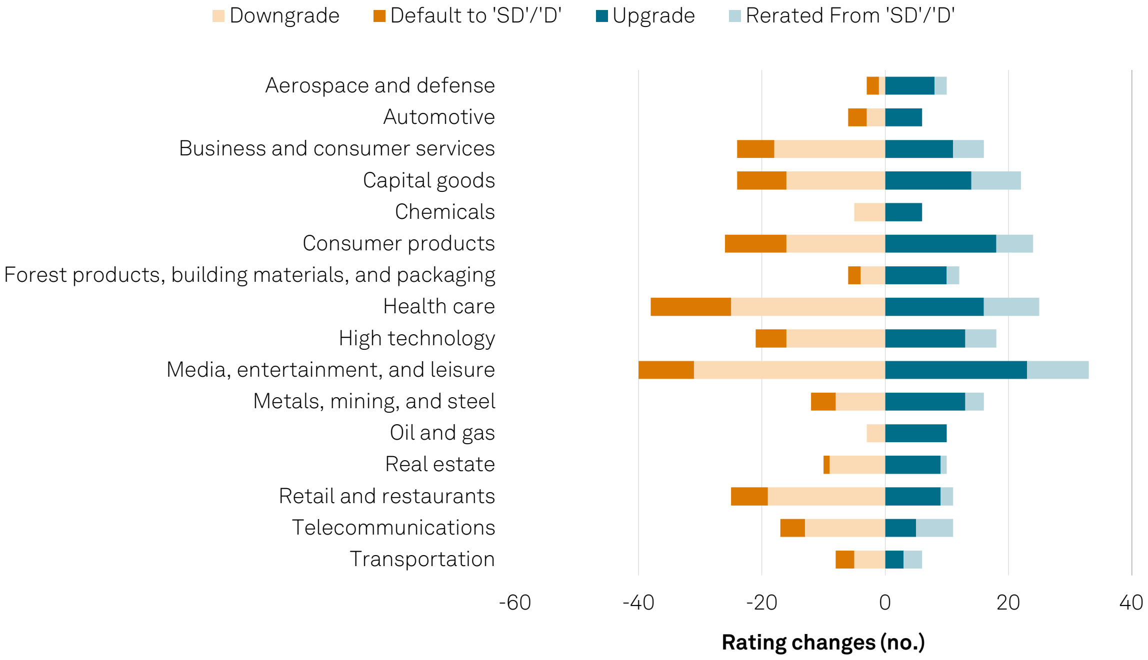


*Includes issuers with both positive and negative rating outlooks and issuers placed on CreditWatch positive and negative. Source: S&P Global Ratings U.S. and Canada ratings.

Rating Trends | Negative Bias Remains Concentrated At Lower Ratings; About 69% Of ‘CCC’ Category Issuers Have A Negative Rating Outlook

Speculative-grade ratings changes by sector*

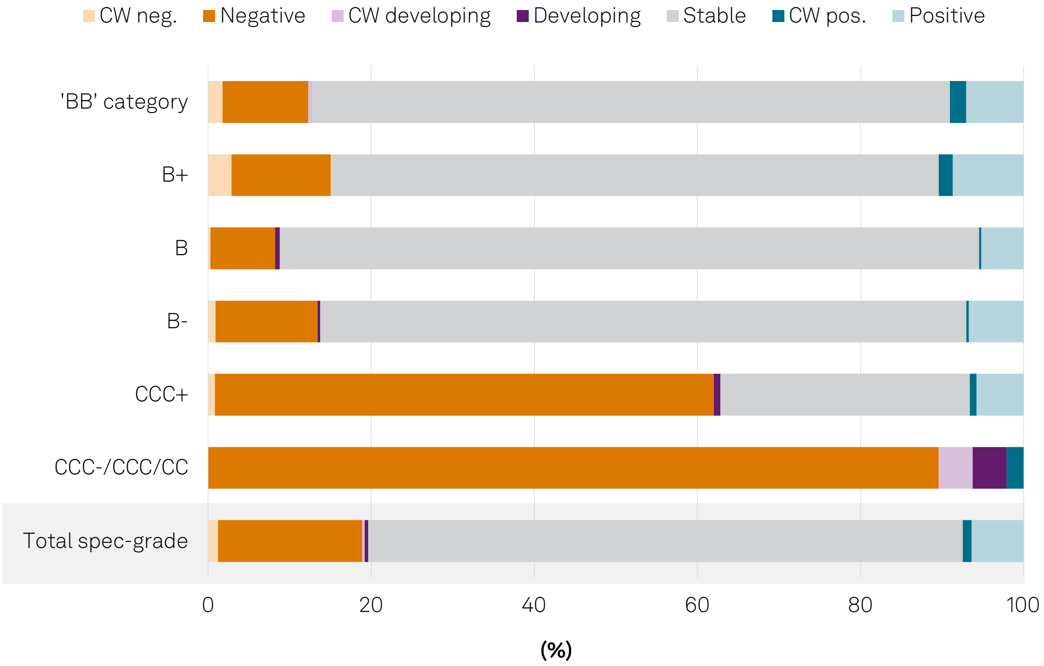
U.S. and Canadian nonfinancial corporates



*Excludes utilities, financial, and insurance services. Data as of LTM March 31, 2025. LTM--Last 12 months.
Source: S&P Global Ratings U.S. and Canada ratings.

Speculative-grade negative ratings bias*

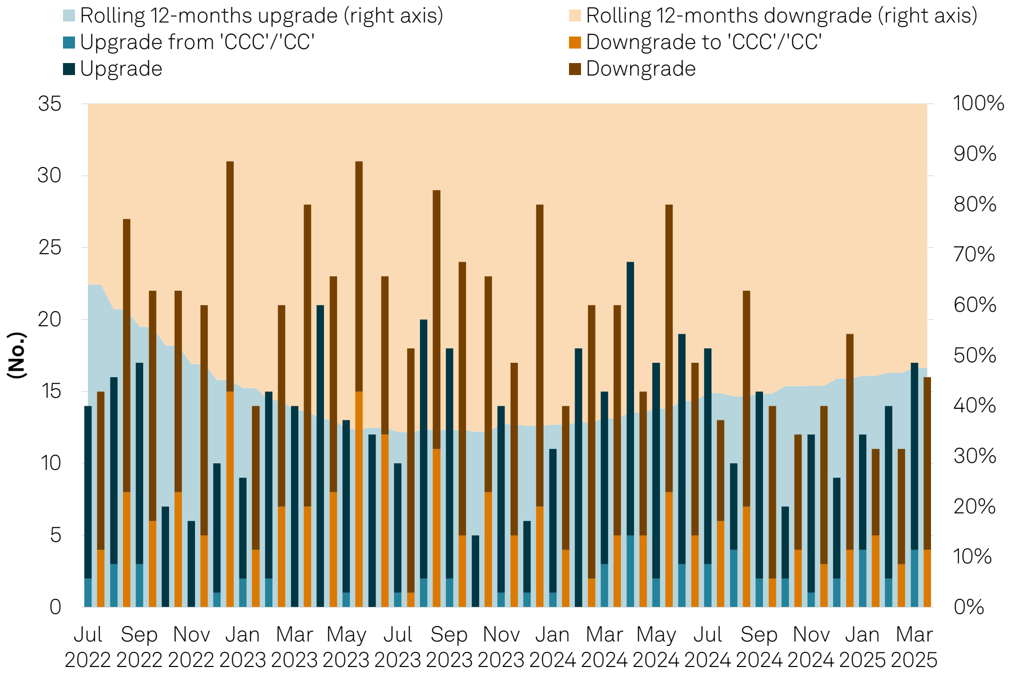
U.S. and Canadian nonfinancial corporates



*Ratings as of March 31, 2025. Source: S&P Global Ratings U.S. and Canada ratings.

Rating Trends | Downgrades Continue to Outpace Upgrades On An Last 12 Months' Basis; The Gap Narrowed In First-Quarter 2025, But Likely To Reverse On Economic Disruption

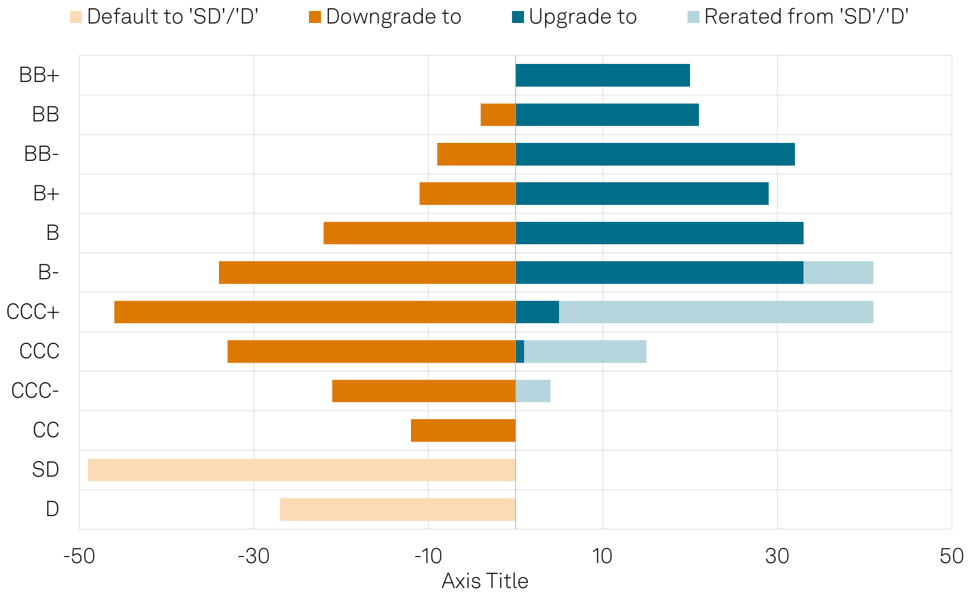
Speculative-grade upgrades and downgrades



Note: U.S. and Canada corporate entities. Issuers rerated from 'SD'/'D' and defaulted to 'SD'/'D' are excluded. Source: S&P Global Ratings U.S. and Canada ratings.

Speculative-grade issuer credit rating changes by rating

U.S. and Canada (LTM March 31, 2025)

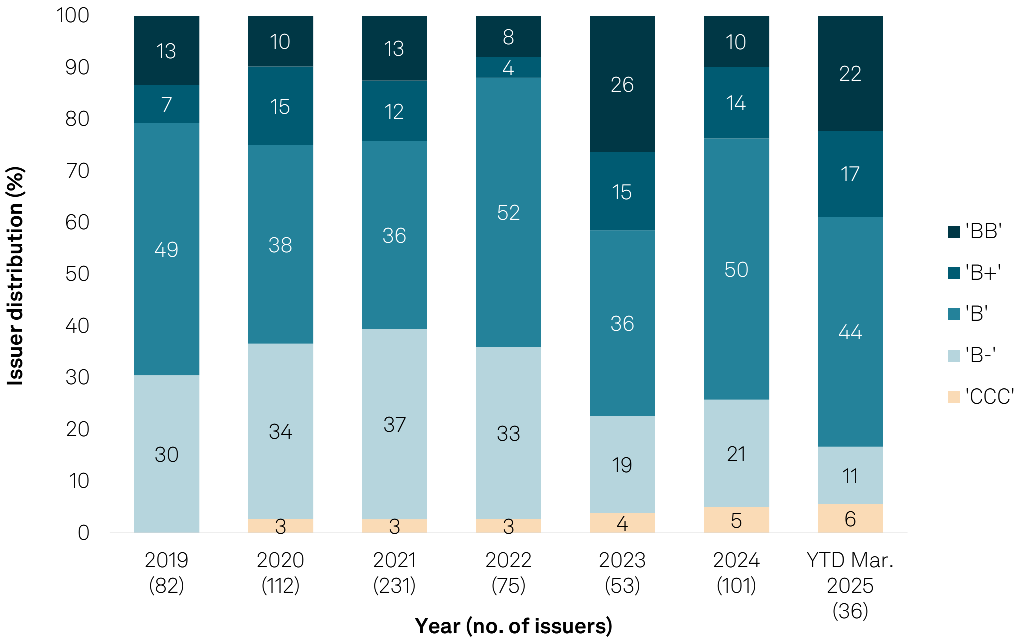


Note: Downgrade and upgrade ratings actions are 'to' the current rating. We do not include ratings that were downgraded from IG to SG and vice versa. (e.g., fallen angels and from SG to IG). IG--Investment grade. SG--Speculative grade. LTM--Last 12 months. FY--Fiscal year. Source: S&P Global Ratings U.S. and Canada ratings.

Rating Trends | New Issuer Activity Year To Date More Than Doubled Last Year

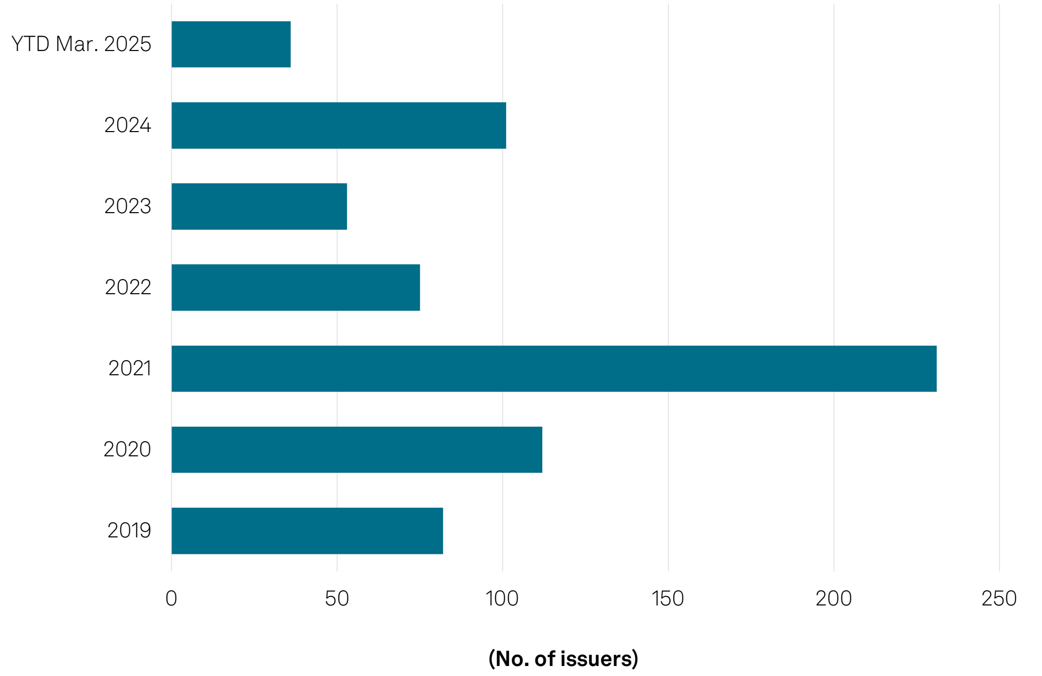
- New issuers continue to shift towards 'B' and higher, representing 83% of the distribution.
- S&P Global Ratings' sectors with the highest new issuer count were consumer products, media, entertainment, and leisure.

U.S. and Canada distribution of new SG issuers by credit quality



SG--Speculative grade. YTD--Year to date. Source: S&P Global Ratings.

U.S. and Canada new SG issuers counts by year



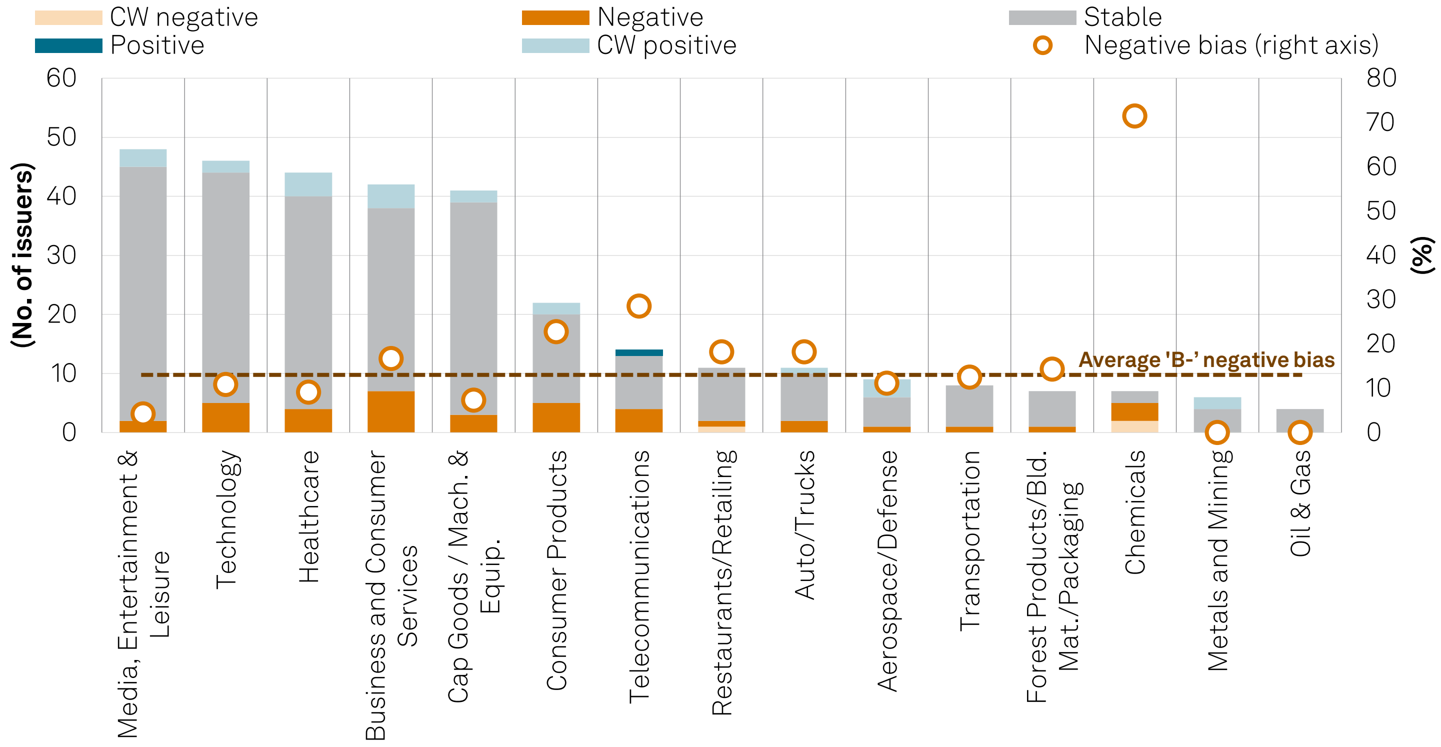
SG--Speculative grade. Source: S&P Global Ratings.

S&P Global Ratings

‘B-’ Credit Risk | Negative Rating Bias For ‘B-’ Issuers Fell Marginally To 13% In March 2025; Varies Widely By Sector

Ratings bias of companies rated 'B-' by sector*

U.S. and Canadian nonfinancial corporates

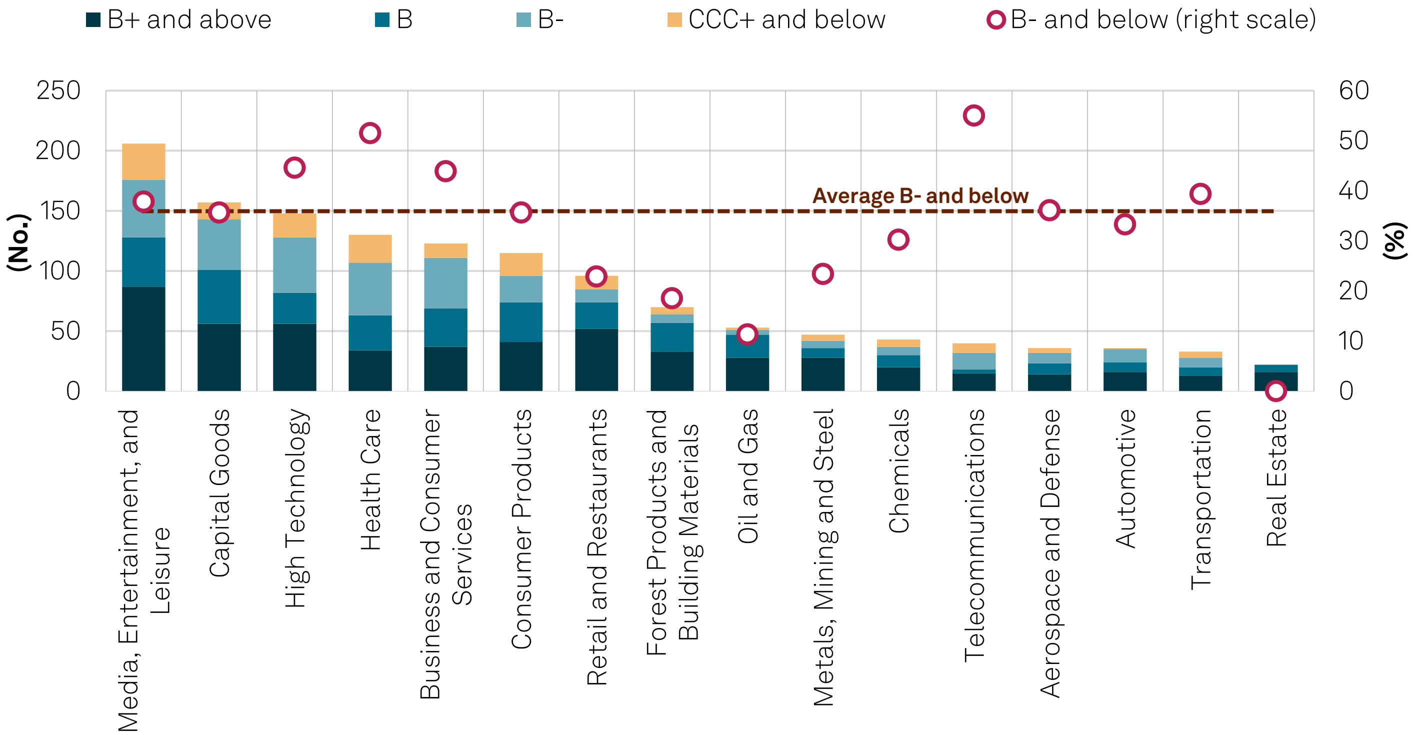


*As of March 18, 2025. Source: S&P Global Ratings Credit Research & Insights.

- On a speculative-grade corporate rating, a negative outlook is intended to signal a one-in-three chance of a downgrade within the next 12 months.
- Chemicals is the sector with the highest percentage of issuers with a negative rating bias, but business and consumer services has the highest total number of issuers with a negative bias.

‘B-’ Credit Risk | ‘B-’ Issuer Counts Elevated In Sectors With High Sponsor Concentrations

U.S. and Canada speculative-grade issuer credit rating distribution by sector

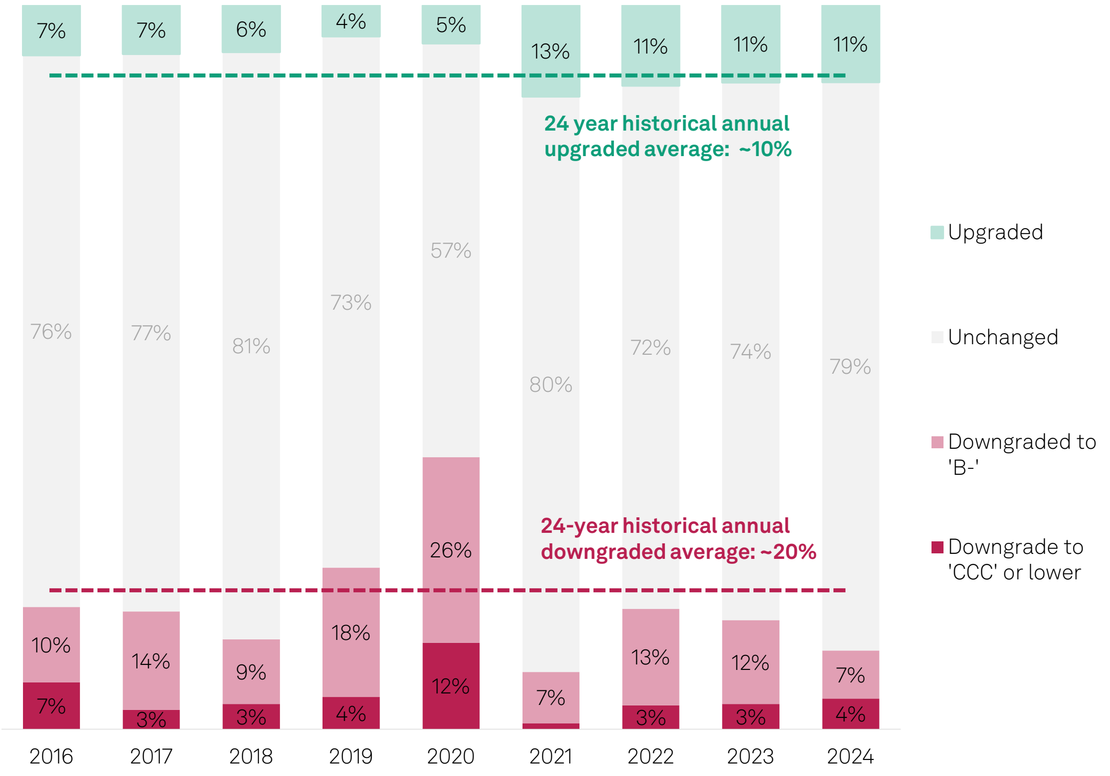


As of Mar. 18, 2025. U.S. and Canada corporate ratings. Source: S&P Global Ratings.

- The sectors with the most speculative-grade companies tend to have high proportions of ratings of ‘B’ and lower, since this is where post-GFC ratings growth was concentrated.
- The sectors with high and above average concentrations of firms rated ‘B-’ and lower are healthcare, high technology, and business and consumer services, which have high financial sponsor ownership.

‘B-’ Credit Risk | Downgrades Moderated In 2024 To Well Below Historical Averages

Historical ‘B’ Issuer Transitions



24 year historical annual upgraded average: ~10%

24-year historical annual downgraded average: ~20%

Source: S&P Global Ratings U.S. and Canada corporate ratings – S&P CreditPro repository.

Historical ‘B-’ Issuer Transitions

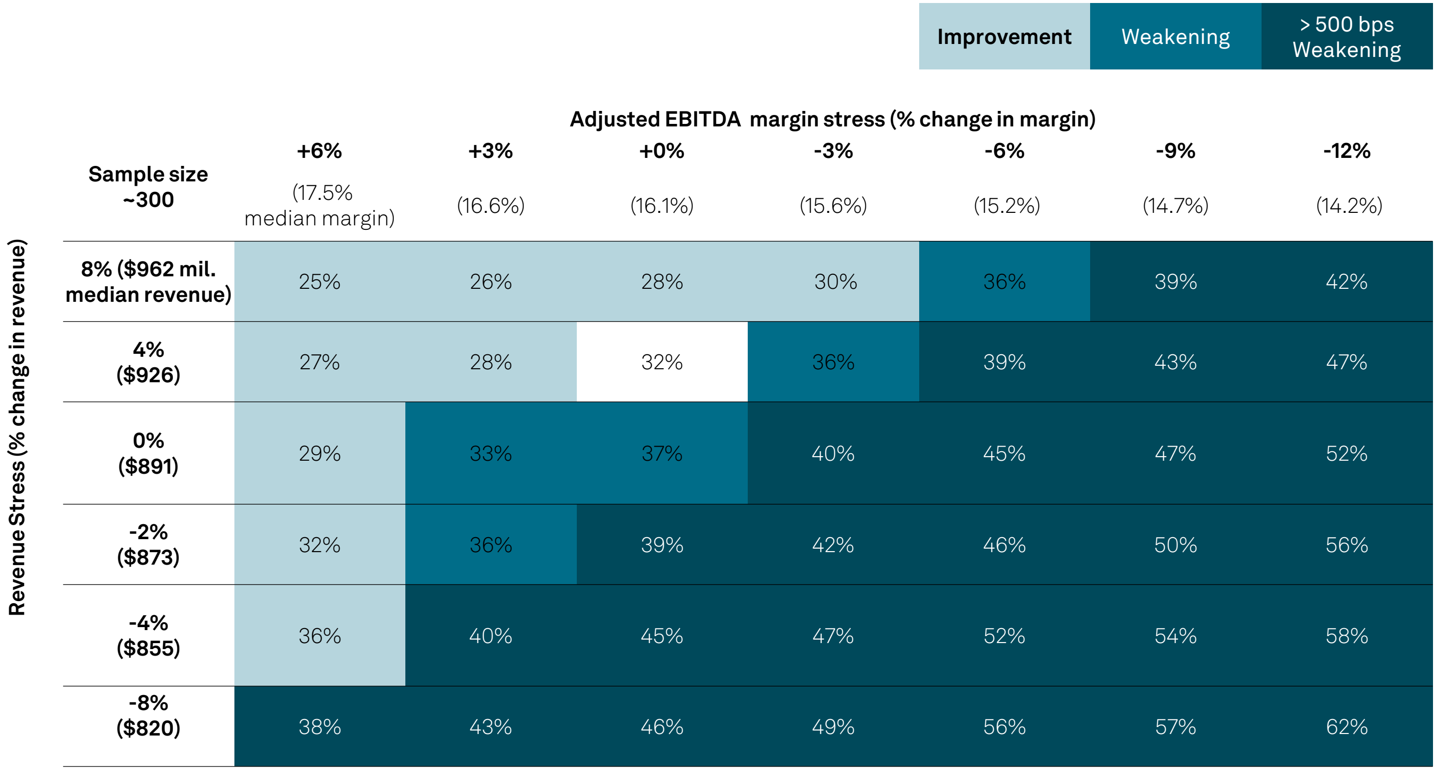
24 year historical annual upgraded average: ~13%

24-year historical annual downgraded average: ~22%

Source: S&P Global Ratings U.S. and Canada corporate ratings – S&P CreditPro repository.

‘B-’ Scenario Analysis | Cracks In Credit Profiles Of 'B-' Issuers

'B-' Issuers at risk under various revenue and EBITDA margin scenarios*



Improvement | Weakening | > 500 bps Weakening

Revenue Stress (% change in revenue)		Adjusted EBITDA margin stress (% change in margin)						
	Sample size ~300	**+6%** (17.5% median margin)	**+3%** (16.6%)	**+0%** (16.1%)	**-3%** (15.6%)	**-6%** (15.2%)	**-9%** (14.7%)	**-12%** (14.2%)
	8% ($962 mil. median revenue)	25%	26%	28%	30%	36%	39%	42%
	4% ($926)	27%	28%	32%	36%	39%	43%	47%
	0% ($891)	29%	33%	37%	40%	45%	47%	52%
	-2% ($873)	32%	36%	39%	42%	46%	50%	56%
	-4% ($855)	36%	40%	45%	47%	52%	54%	58%
	-8% ($820)	38%	43%	46%	49%	56%	57%	62%

*Ratings as of April 11, 2025. The last-12-month (LTM) financial data reflect the most recent available filings as of that date, comprising a mix of third-quarter 2024 and later periods. Approximately half of the LTM financials are based on third-quarter 2024 results, with the remainder reflecting fourth-quarter 2024 or more recent data. In this study, we average the results of two stress tests, which included up to 319 North American corporate ratings issuers that were rated 'B-'. Source: S&P Global Ratings.

- While the proportion of speculative-grade companies we rate 'B-' has declined to about 22% of the portfolio from a peak of 29% in mid-2021, we believe this cohort is now particularly exposed to a slowing economy and potentially weaker consumer and business demand.
- We performed top-line and profitability stress testing on our 'B-'-rated issuers, and we estimate that over 42% of these companies are at risk of a downgrade under a moderate -2% revenue and-3% EBITDA margin stress scenario.
- However, this does not account for company-specific actions--such as cost-cutting, refinancing, or asset sales--that could mitigate the impact, suggesting the actual at-risk rate would likely be lower.
- Among the largest sectors by issuer count, commercial and professional services and consumer services appear to be the most vulnerable under various downside stress scenarios.

Credit Metrics | Reported EBITDA Interest Coverage Has Likely Troughed, With 2024 Repricings Supporting 'B-' Cohort*

Speculative-grade median reported interest coverage, U.S. and Canada

Rolling 12-month periods

(x)

Issuer credit rating	Entity count (no.)	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
BB+	108	8.7	7.8	7.0	6.2	6.2	6.1	6.1	6.0	5.9	6.0
BB	109	8.2	7.0	6.5	6.2	6.1	5.7	5.8	5.8	5.9	5.8
BB-	110	5.4	5.0	4.6	4.4	4.2	4.2	3.9	3.8	3.7	3.8
B+	107	3.9	3.7	3.6	3.6	3.3	3.0	2.9	3.0	3.0	3.0
B	109	3.9	3.7	3.2	2.9	2.6	2.4	2.2	2.3	2.3	2.2
B-	100	1.8	1.7	1.5	1.5	1.3	1.3	1.3	1.3	1.3	1.5
CCC+	37	1.9	1.7	1.6	1.7	1.6	1.2	1.4	1.3	1.2	1.3
Total	**695**	**4.7**	**4.5**	**4.1**	**3.8**	**3.7**	**3.4**	**3.3**	**3.3**	**3.3**	**3.3**

*Given private companies' longer reporting timelines, our current dataset is smaller than our usual sample of over 1,000 firms, particularly among lower-rated 'B-' category issuers. This leads to an upward bias in the overall median metrics, especially as the count of 'BB-' category companies remained steady but the 'B-' category shrank by around 40%. Ratings as of March 31, 2025. Source: S&P Global Ratings.

Credit Metrics | Reported FOCF-To-Debt Likely To Trend Downward If Issuers Stock Up Inventory To Mitigate Tariff Risks*

Speculative-grade median reported free operating cash flow to debt, U.S. and Canada

Rolling 12-month periods

(%)

Issuer credit rating	Entity count (no.)	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024
BB+	108	13.5	12.6	11.9	12.5	13.3	13.8	15.1	18.2	17.8	16.4
BB	109	8.5	9.1	9.6	12.1	13.8	15.3	16.1	17.2	15.5	15.3
BB-	110	9.2	9.3	9.0	10.9	12.2	13.2	12.2	9.6	10.7	10.5
B+	107	5.4	5.9	7.1	7.7	8.6	9.9	9.7	8.9	7.2	7.1
B	109	1.2	3.4	4.3	3.9	5.4	5.2	4.0	4.3	3.2	2.5
B-	100	-2.0	-2.0	-1.9	-1.0	-0.7	-0.2	-0.3	0.0	-0.5	-0.4
CCC+	37	-2.1	-2.9	-3.0	-2.9	-0.8	-1.2	-2.8	-3.9	-4.7	-3.4
Total	**695**	**5.0**	**5.5**	**5.8**	**6.8**	**7.7**	**8.3**	**7.5**	**7.8**	**7.7**	**7.3**

*Given private companies' longer reporting timelines, our current dataset is smaller than our usual sample of over 1,000 firms, particularly among lower-rated 'B-' category issuers. This leads to an upward bias in the overall median metrics, especially as the count of 'BB-' category companies remained steady but the 'B-' category shrank by around 40%. Ratings as of March 31, 2025. Source: S&P Global Ratings.

Credit Metrics | Median Reported Leverage Has Flattened For Most Rating Categories*

Speculative-grade median reported gross leverage, U.S. and Canada

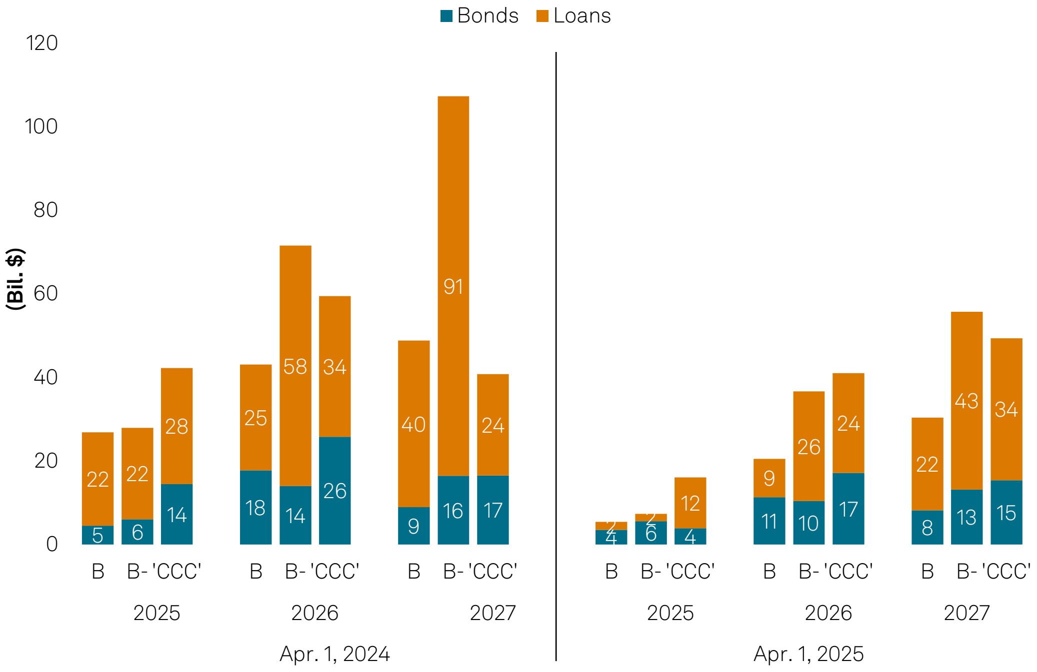
Rolling 12-month periods

		Debt/EBITDA (x)													
Issuer credit rating	**Entity (no.)**	**2020**	**2021**	**Q1'22 LTM**	**Q2'22 LTM**	**Q3'22 LTM**	**2022**	**Q1'23 LTM**	**Q2'23 LTM**	**Q3'23 LTM**	**2023**	**Q1'24 LTM**	**Q2'24 LTM**	**Q3'24 LTM**	**2024**
BB+	113	3.4	3.1	2.9	2.9	2.8	3.1	3.1	3.0	3.0	2.9	2.9	2.9	3.0	2.8
BB	118	3.6	2.9	3.0	3.0	3.2	3.3	3.1	3.1	3.0	3.0	3.0	3.0	3.1	3.2
BB-	118	4.8	3.6	3.8	3.7	3.8	3.6	3.8	3.8	3.6	3.6	3.6	3.7	3.7	3.8
B+	119	5.8	4.9	4.8	4.7	4.4	4.2	4.4	4.1	4.1	4.1	4.4	4.3	4.2	4.2
B	116	5.9	4.8	4.7	4.5	4.4	4.5	4.2	4.4	4.5	4.8	5.2	5.1	5.2	4.9
B-	105	7.9	8.0	8.3	8.1	8.3	8.4	8.1	7.8	8.1	7.9	7.8	7.4	7.4	7.2
CCC+	43	7.0	7.3	7.2	7.3	7.9	8.1	8.2	8.3	8.4	8.9	8.3	8.5	9.2	10.3
Total	**745**	**5.2**	**4.3**	**4.2**	**4.2**	**4.1**	**4.1**	**4.2**	**4.2**	**4.2**	**4.2**	**4.2**	**4.3**	**4.3**	**4.3**

*Given private companies' longer reporting timelines, our current dataset is smaller than our usual sample of over 1,000 firms, particularly among lower-rated 'B-' category issuers. This leads to an upward bias in the overall median metrics, especially as the count of 'BB-' category companies remained steady but the 'B-' category shrank by around 40%. Ratings as of March 31, 2025. LTM--Last 12 months. Source: S&P Global Ratings.

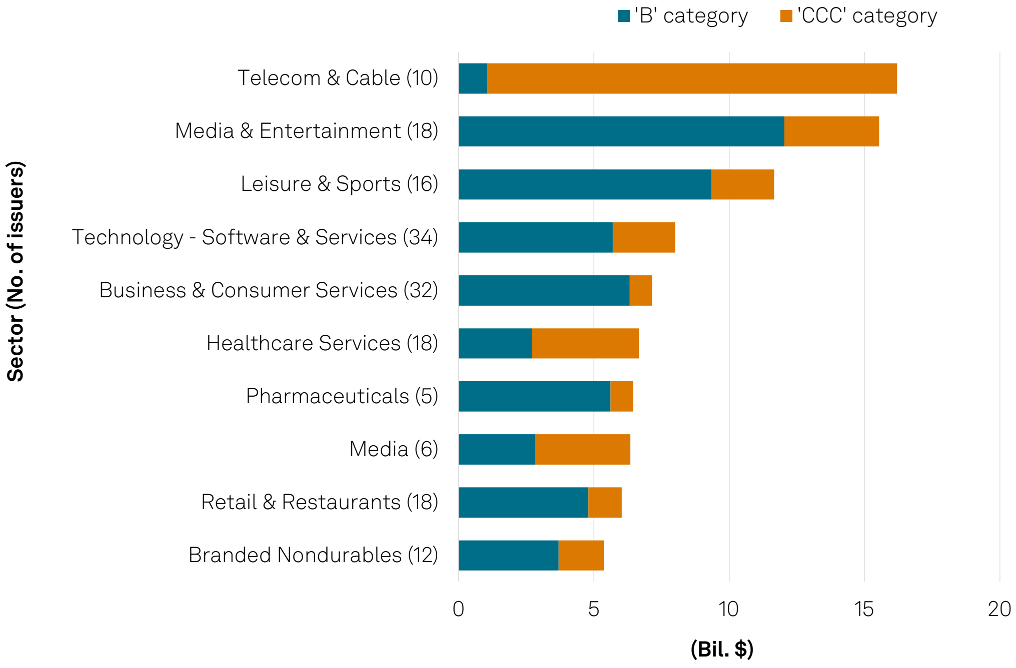
Maturity Wall | ‘CCC+’ And Below Refinancing Needs Remain High With Roughly $57 Billion Due By 2026

Debt maturities as of Apr. 1, 2024 and Apr. 1, 2025



Note: 'CCC' category--Includes all 'CCC' notches as well as 'CC'. Includes U.S. nonfinancial corporate issuers' speculative-grade bonds and loans. Excludes revolving credit facilities. Source: IHS Markit & Refinativ Data.

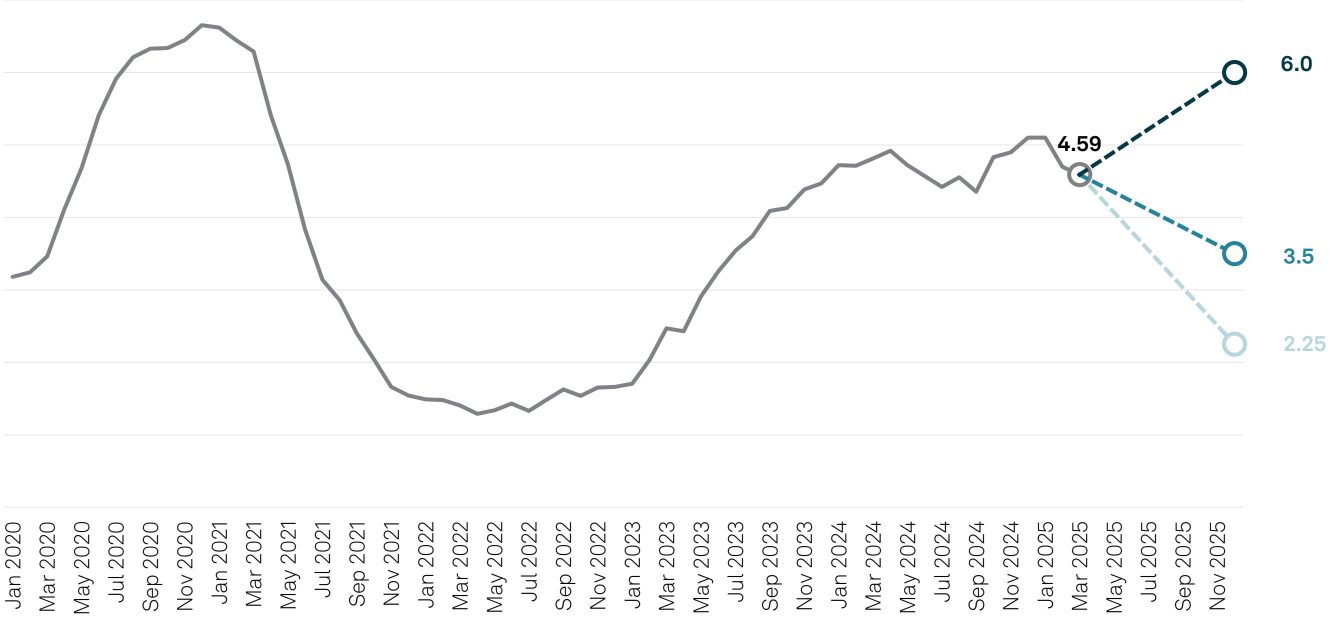
'B+' and lower debt maturing in 2025 and 2026



Data as of Apr. 1, 2025. 'CCC' category--Includes 'CC'. Includes U.S. nonfinancial corporate issuers' speculative-grade bonds and loans. Excludes revolving credit facilities. Source: IHS Markit & Refinativ Data.

Defaults | Year-End '25 SG Default Forecast Affirmed On April 25; Noted Rising Risks That May Skew Defaults Towards Our Pessimistic Case

3.50% **December 2025 baseline U.S. speculative corporate default rate forecast**



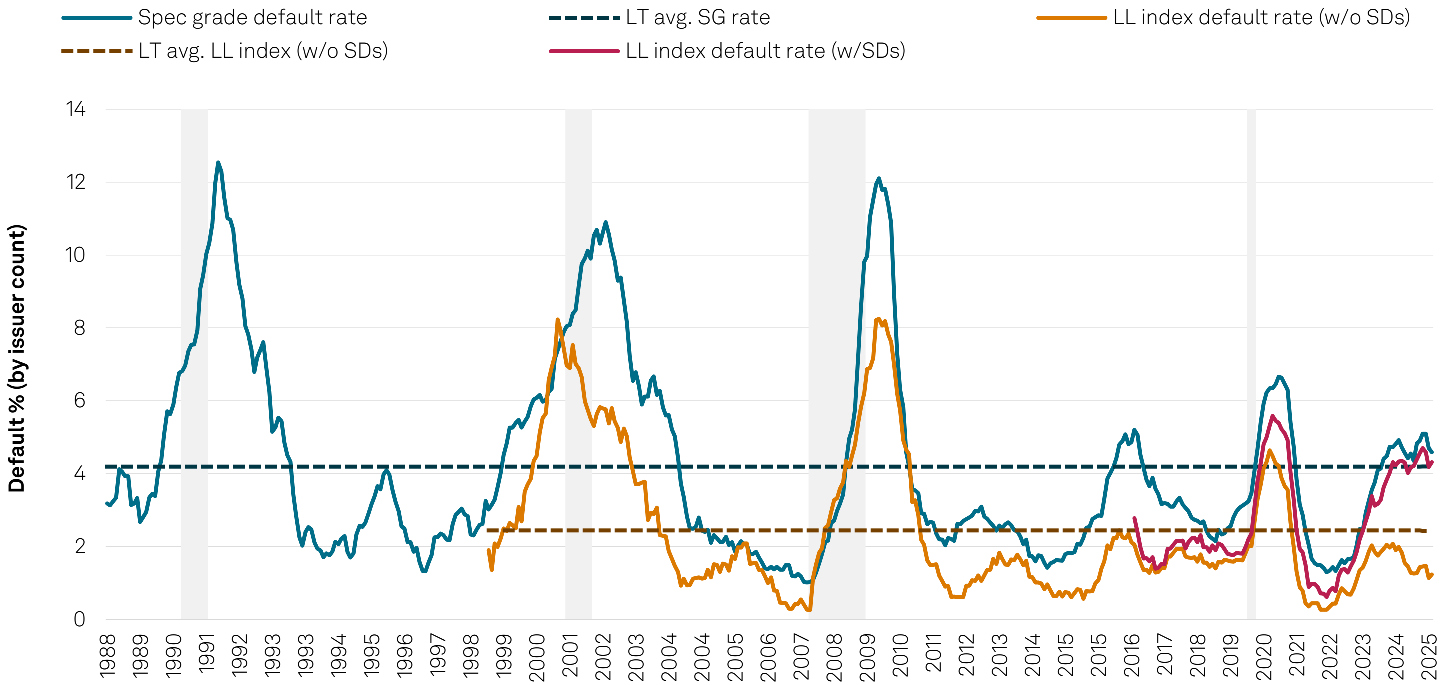
- Recent increases in market volatility related to tariffs have raised fears for growth and higher default rates.
- This has been a potential factor in our corporate default projections since November 2024, and we've noted tariff-related stress in our pessimistic scenarios.
- A large portion of speculative-grade issuers in the U.S. are from service-based sectors, limiting their initial exposure to tariffs on goods. Threats to overall consumer spending and the macro economy are larger, if more indirect, issues for defaults ahead.

Default forecast from April 25, 2025. Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's Credit Pro©.

Defaults | Selective Defaults Moderated Somewhat In First-Quarter 2025 After Reaching Post-Pandemic Highs At Year-End 2024; Remain Below Prior Peaks

U.S. speculative-grade default rates*

Trailing 12-month basis through first-quarter-end 2025

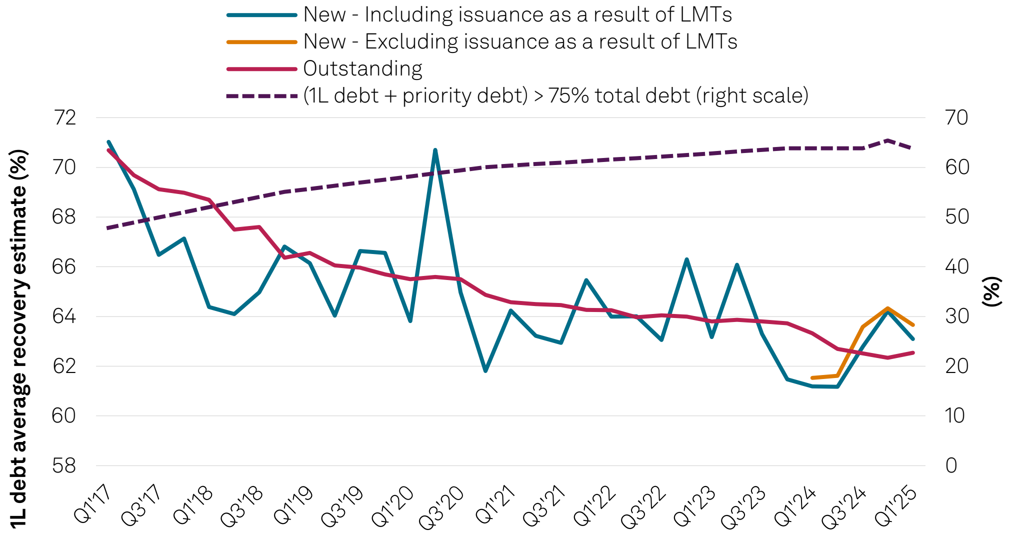


*All default measures are shown on an issuer-count basis through March 31, 2025 (although the speculative-grade default rate is preliminary for March). The LLI default rate is for the Morningstar/LSTA Leveraged Loan Index and is shown without selective defaults (SDs), consistent with the default definition of the index, as well as with SDs as determined by S&P Global Ratings' rating actions. YE--Year end. SG--Speculative grade. Sources: S&P Global Ratings and Leveraged Commentary & Data.

- Default rates moderated somewhat in first-quarter 2025, after ticking up at year-end 2024 under three different metrics (all on an issuer count basis). These default levels remain well below prior peaks.
- Still, default metrics that include selective default ('SD') rating actions remain elevated as distressed exchanges continue to outpace traditional defaults.
- The gap between Morningstar/LSTA LL Index default rates with and without SD actions has been notably wider since 2020, but moderated somewhat in first-quarter 2025.
- Since July 2020, the LL Index default rate with SDs has generally been closer to S&P Global Ratings' overall speculative-grade default rate (which also includes SDs) than to the traditional LL Index default rate.

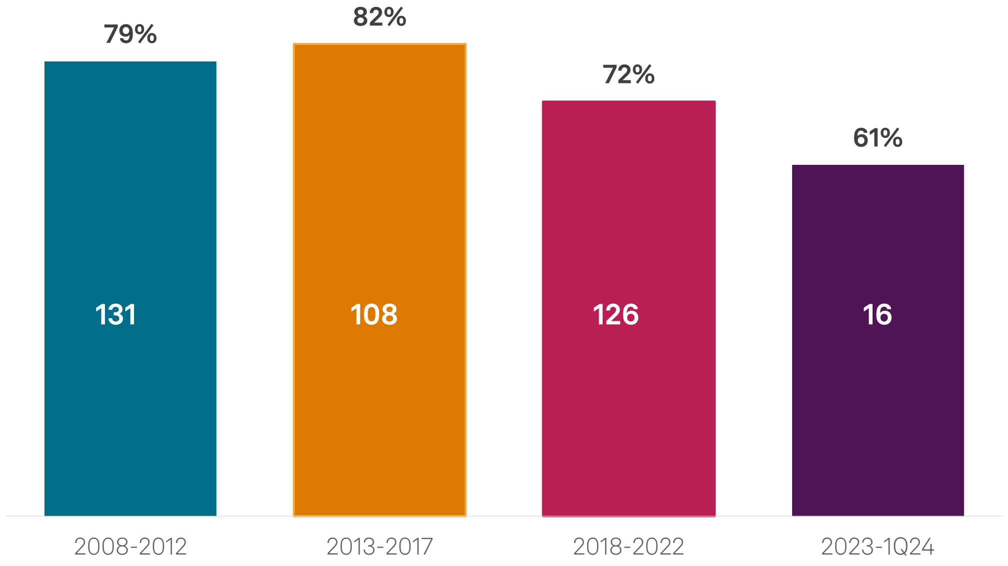
Recoveries | Future 1L Recovery Expectations And Actual 1L Recovery Rate Estimates Have Declined As Debt Structures Have Become More Top-Heavy

Expected recovery on newly issued and outstanding 1L debt based on S&P Global Ratings' recovery ratings (U.S. and Canada)*



*Data through March 31, 2025, based on the rounded point-estimates included in our recovery ratings for rated nonfinancial corporate entities in the U.S. and Canada. The data on debt structure composition is from a sample that covers large portion of the relevant rated issuers as of first-quarter-end 2017, YE 2018, YE 2020, YE 2022, YE 2023, YE 2024 and 1QE 2025 (with smoothed transitions between these dates). The YE 2024 sample covers roughly 80% of the rated SG issuers in the U.S. and Canada. YE--Year end. SG--Speculative grade. Source: S&P Global Ratings.

Estimated actual 1L recovery rates (% par) after bankruptcy (nominal basis, entity counts/period in parentheses)*

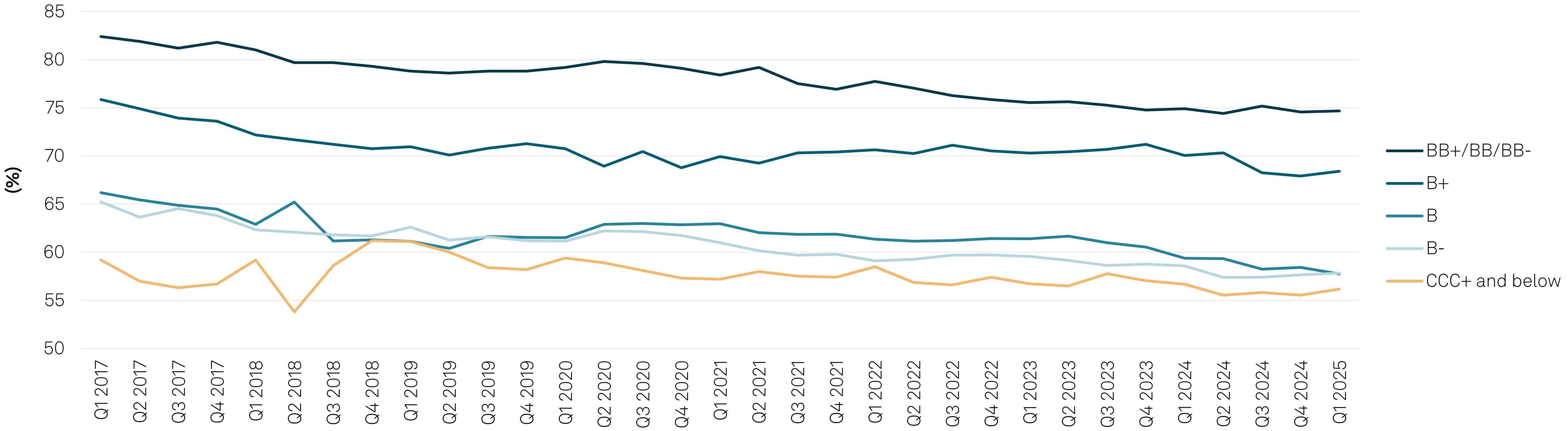


*The actual first-lien recovery estimates are on an ultimate (at the end of the insolvency or restructuring period) and nominal basis. The S&P Global Ratings' data represents estimated recoveries from bankruptcy documents. Source: S&P Global Ratings "Actual 1L Debt Recoveries Trend Down; Significant Drops in Some Sectors," published Dec. 11, 2024.

Recoveries | First-Lien Recovery Expectations Vary By Rating Level

- Average recovery expectations for first-lien debt are notably lower for companies rated 'B-' and lower.
- Higher-rated issuers, which tend to be less levered and have larger junior debt cushions, also tend to have higher recovery expectations.
- These recovery expectations do not account for 'event risk' related to future aggressive-out-of-court restructurings or liability management transactions.

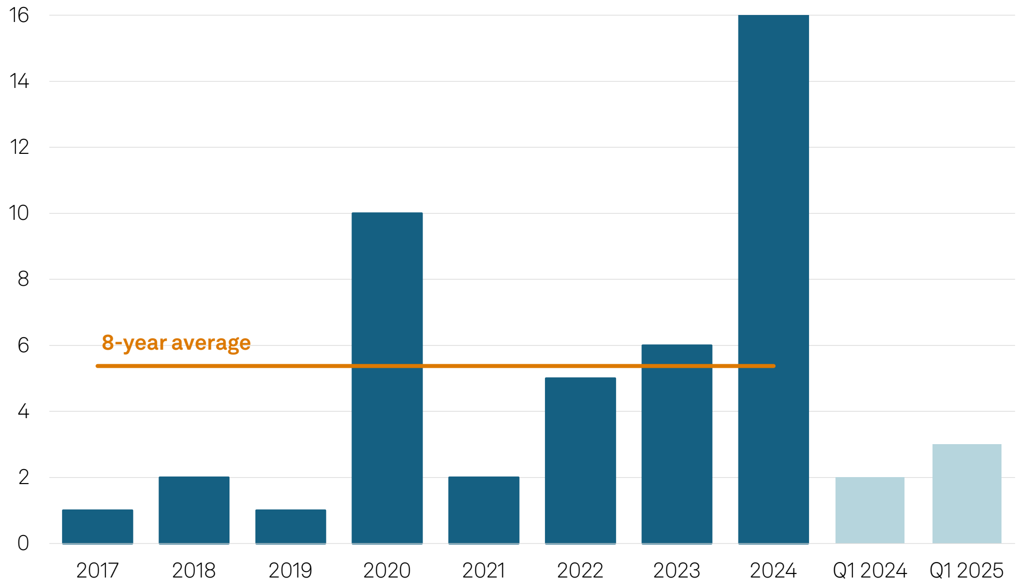
Average recovery estimate of first-lien debt: U.S. and Canada*



*Data through March 31, 2025. Based on the rounded point-estimates included in our recovery ratings for rated nonfinancial corporate entities in the U.S. and Canada. Source: S&P Global Ratings.

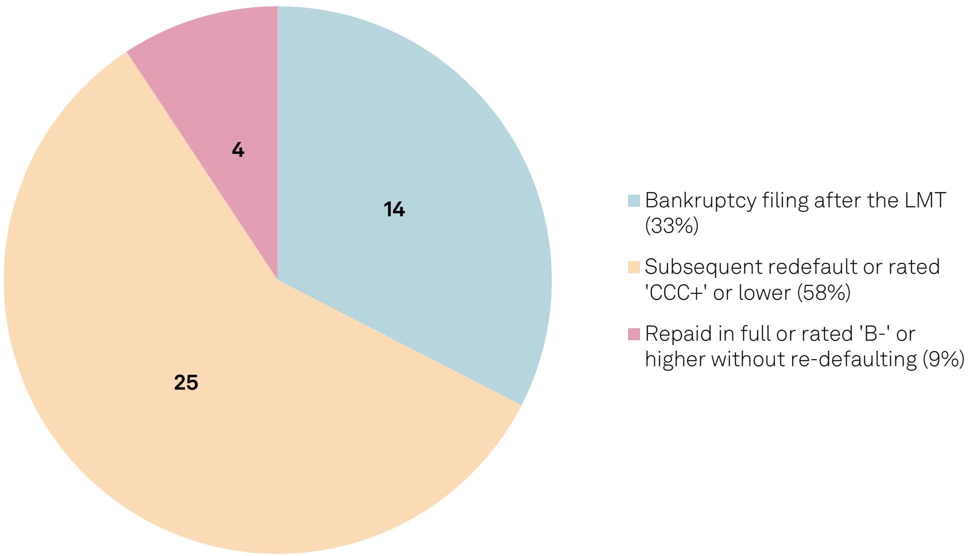
LMTs | Aggressive Loan Restructurings Accumulate, Hit A Record Number In 2024, And Generally Don't Resolve The Financial Problems That Caused Them

Loan LMTs that subordinate existing lenders become more common; 2024 was a record (count/year)*



*Data covers aggressive out-of-court loan restructurings (LMTs) we've tracked where all lenders were disadvantaged by new third-party debt or where not all lenders were offered pro rata terms on existing 1L debt. Excludes cases note/bond restructurings. LMT--Liability management transactions. Sources: S&P Global Ratings and company reports.

Loan LMTs generally don't resolve the problems that caused them (no., 2017-Q1 2025)*



*Data covers aggressive out-of-court loan restructurings (LMTs) we've tracked where all lenders were disadvantaged by new third-party debt or where not all lenders were offered pro rata terms on existing 1L debt. Excludes cases note/bond restructurings. LMT--Liability management transactions. Sources: S&P Global Ratings and company reports.

S&P Global
Ratings

LMTs | Aggressive Loan Restructurings Create Winners/Losers From Equal Lenders And Can Significantly Impair Recoveries For Disadvantaged Lenders

🟦 Indicates the company subsequently filed for bankruptcy

🟧 Indicates the company either subsequently re-defaulted and/or is rated 'CCC+' or lower.

Hit to expected recoveries: subordinated/non-participating 1L TLs (2017-Q1 2025)

#	Company completing the LMT	Dates	Primary owner(s) (majority or largest)	LMT tactics*	1L RR% before	Disadvantaged lenders		New money RR%	Total 1L TL participation rate	Standalone restructuring or recovery report article links
						1L RR% after	1L change before/ after			
🟧 46	OT Merger Corp. (Oregon Tool)	Mar. 2025	Platiunum Equity	PL/DD	50	Varied	Up to -50	95	99	Debt Restructuring Snapshot
🟧 45	Stitch Acquisition Corp (SVP Singer Intermediate)	Feb. 2025	Platiunum Equity	PL	35	<5%**	Up to >30%**	95	~100	
🟧 44	Physician Partners LLC (Better Health)	Jan. 2025	Kinderhook Industries	PL	50	Varied	Up to -50	95	97	Debt Restructuring Snapshot
🟧 43	KNS Holdco (Wellful Inc.)	Dec. 2024	Kainos GP II LLC	PL	60	45	-15	95	97	Debt Restructuring Snapshot
🟧 42	Empire Today	Dec. 2024	CharlesBank	AT/PL/DD	40	10	-30	95	100	Debt Restructuring Snapshot
🟧 41	FinThriveSoftware	Nov. 2024	Clearlake	PL	65	Varied	Up to -65	95	100	Debt Restructuring Snapshot
🟧 40	LaserShip Inc.(d/b/a OnTrac)	Nov. 2024	American Securities LLC	PL	50	Varied	Up to -50	95	99	
🟧 39	Reception Purchaser (STG Logistics)	Oct. 2024	Oaktree	AT/PL/DD	60	Varied	Up to -60	95	93	Debt Restructuring Snapshot
🟧 38	PECF USS / United Site Services	Aug. 2024	Platiunum Equity	PL/DD	55	Varied	Up to -55	95	97	Debt Restructuring Snapshot
🟧 37	Magenta Buyer LLC	Aug. 2024	Symphony Technology Group	AT/PL/DD/PP	65	Varied	Up to -65	100	100	Debt Restructuring Snapshot
🟧 36	Del Monte	Aug. 2024	Family controlled (Asian parent)	AT/PL	35	Varied	Up to -35	95	85	Debt Restructuring Snapshot
🟧 35	Valcour Packaging (Mold-Rite Plastics)	Jun. 2024	Clearlake	PL	60	Varied	Up to -60	95	100	
🟧 34	City Brewing	Apr. 2024	Family (majority) / Charles Bank	AT/PL/DD	50	Varied	Up to -35	60	98	
🟧 33	EyeCare Partners	Apr. 2024	Partners Group	PL	50	Varied	Up to -50	95	98	
🟦 32	Digital Media Solutions Inc. (DMS)	Apr. 2024	Public	PL	40	Varied	Up to -40	95	100	
31	Rackspace	Apr. 2024	Apollo	PL	50	Varied	Up to -50	95	96	
🟧 30	PHM Netherlands (Loparex)	Apr. 2024	Pamplona	PL	60	Varied	Up to -60	95	99	
🟧 29	Atlas Midco. (Alvaria Inc.)	Mar. 2024	Abry Partners	AT/PL/DD	65	Varied	Up to -60	95	100	
🟧 28	GoTo Group	Feb. 2024	Francisco Partners	PL	50	50	-45	95	100	
🟧 27	API Holdings III Corp. (Spectrum Control)	Nov. 2023	AEA Investors	PL	55	35	-20	95	100	
🟦 26	Wheel Pros	Sep. 2023	Clearlake	PL/DD/PP	50	Varied	Up to -40	95	99	
🟧 25	Photo Holdings (Shutterfly)	Jun. 2023	Apollo	AT	60	35	-25	95	99	
🟧 24	US Renal Care (excludes July pro rata PL exch.)	May 2023	Bain	AT	50	30	-20	100/85	N/A	

*AT--Asset Transfer; PL--Priming Loan Exchange; PP--Pari plus; DD--double dip. **1L RR% comes from the rounded point estimates that are part of our recovery ratings and generally does not include the impact of par haircuts upon exchange other than for Stitch Acquisition. Data covers aggressive-out-of-court 1L loan restructurings (Loan LMTs) by distressed corporate entities that we've tracked where either all existing 1L lenders were disadvantaged by new third-party debt or where not all lenders were offered pro rata restructuring terms on their existing 1L debt. Excludes note/bond only restructurings. N/A--Not applicable. Source: S&P Global Ratings.

LMTs | Aggressive Loan Restructurings Create Winners/Losers From Equal Lenders And Can Significantly Impair Recoveries For Disadvantaged Lenders (continued)

🟦 Indicates the company subsequently filed for bankruptcy

🟧 Indicates the company either subsequently re-defaulted and/or is rated 'CCC+' or lower.

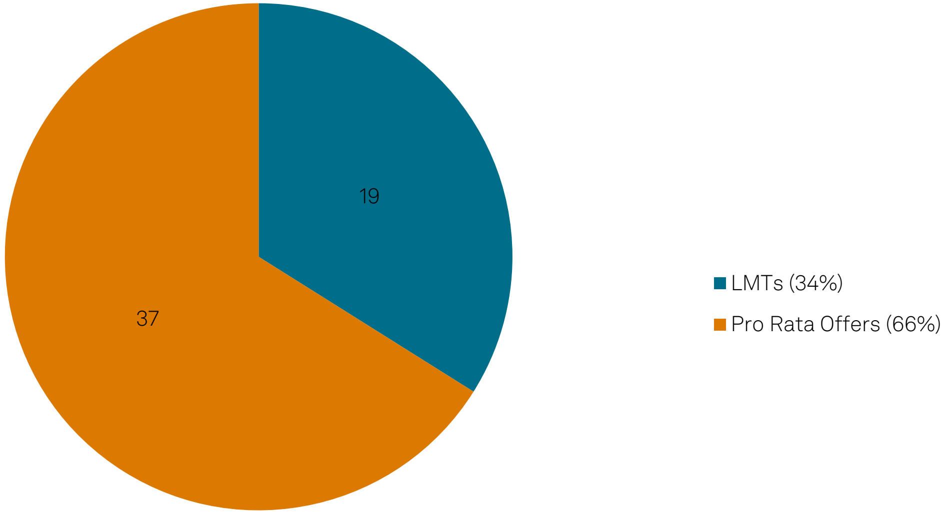
Hit to expected recoveries: subordinated/non-participating 1L TLs (2017-Q1 2025)

					Disadvantaged lenders					
#	Company completing the LMT	Dates	Primary owner(s) (majority or largest)	LMT tactics*	1L RR% before	1L RR% after	1L change before/ after	New money RR%	Total 1L TL participation rate	Standalone restructuring or recovery report article links
🟦 23	RobertShaw/Range Parent	May. 2023	One Rock Capital	N/A	50	0	-50	N/A	N/A	
🟧 22	Rodan & Fields	Apr. 2023	Founder + TPG	N/A	55	40	-15	N/A	N/A	
🟧 21	BW Homecare (Elara Caring)	Dec. 2022	Blue Wolf (majority)	N/A	50	20	-30	N/A	N/A	
🟦 20	Mitel Networks International	Nov. 2022	Searchlight Capital	N/A	50	50	-45	N/A	N/A	
🟦 19	Envision Healthcare #2	Aug. 2022	KKR	N/A	30	Varied	Up to -30	N/A	N/A	Envision Restructuring FAQ
🟧 18	TMK Hawk #2 (TriMark)	Jul. 2022	Centerbridge (majority)	N/A	60	30	-30	N/A	N/A	
🟦 17	Envision Healthcare #1	Apr. 2022	KKR	N/A	50	30	-20	N/A	N/A	
🟧 16	Medical Depot	Apr. 2021	Clayton Dubilier & Rice	N/A	15	10	-5	N/A	N/A	
15	Renfro #2	Feb. 2021	Kelso (majority)	N/A	20	10	-10	N/A	N/A	
🟦 14	GTT	Dec. 2020	Public	N/A	50	40	-10	N/A	N/A	
🟧 13	Travelport	Sep. 2020	Siris Capital Group / Evergreen (Elliott)	N/A	75	0	-75	N/A	N/A	
🟧 12	TMK Hawk #1 (TriMark)	Sep. 2020	Centerbridge (majority)	N/A	55	0	-55	N/A	N/A	
11	Boardriders	Aug. 2020	Oaktree (majority)	N/A	55	5	-50	N/A	N/A	
🟦 10	Party City	Jul. 2020	Public (Thomas H. Lee ~38%)	N/A	75	45	-30	N/A	N/A	
9	Renfro #1	Jul. 2020	Kelso (majority)	N/A	35	20	-15	N/A	N/A	
🟦 8	Serta Simmons	Jun. 2020	Advent International (majority)	N/A	55	50	-50	N/A	N/A	Serta Recovery Report
🟦 7	Revlon	May. 2020	MacAndrews & Forbes (majority)	N/A	40	15	-25	N/A	N/A	Revlon Recovery Report
🟦 6	Cirque du Soleil	Mar. 2020	TPG / Fosun / CDPQ	N/A	75	75	0	N/A	N/A	
🟦 5	NPC International Inc.	Feb. 2020	Eldridge Industry / Delaware Holdings	N/A	55	40	-15	N/A	N/A	
🟦 4	Neiman Marcus	Sep. 2019	Ares / CPPIB	N/A	55	55	0	N/A	N/A	
3	PetSmart	Jun. 2018	BC Partners (majority)	N/A	60	45	-15	N/A	N/A	PetSmart Case Deep Dive
🟦 2	Murray Energy	Jun. 2018	Founder controlled	N/A	65	0	-65	N/A	N/A	
🟦 1	J.Crew	Jul. 2017	TPG (majority)	N/A	40	15	-25	N/A	N/A	J.Crew IP Transfer article

*AT--Asset Transfer; PL--Priming Loan Exchange; PP--Pari plus; DD--double dip. **1L RR% comes from the rounded point estimates that are part of our recovery ratings and generally does not include the impact of par haircuts upon exchange other than for Stitch Acquisition. Data covers aggressive-out-of-court 1L loan restructurings (Loan LMTs) by distressed corporate entities that we've tracked where either all existing 1L lenders were disadvantaged by new third-party debt or where not all lenders were offered pro rata restructuring terms on their existing 1L debt. Excludes note/bond only restructurings. N/A--Not applicable. Source: S&P Global Ratings.

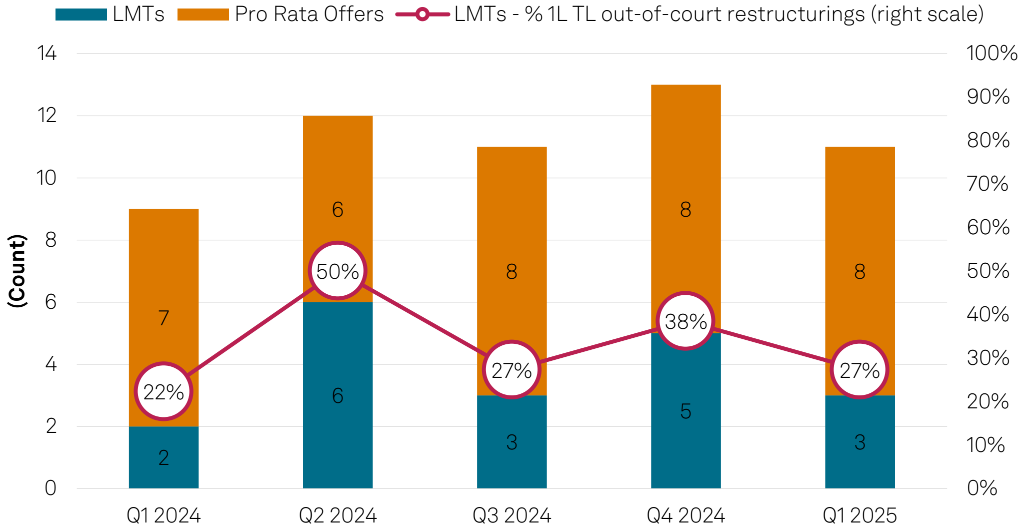
LMTs | Most Out-Of-Court First Lien Term Loan Restructurings Are Pro Rata Restructuring Offers Versus Lop-sided LMTs

First-lien TL restructurings: pro rata offers solidly outnumber lop-sided LMTs (2024-Q1 2025)



Data compares out-of-court 1L term loan restructurings where all existing 1L TL lenders were offered the opportunity to participate on equal terms for their loans (pro rata offers) versus those where either all lenders were disadvantaged by new third-party debt or where the restructuring was designed to produce disparate outcomes among existing 1L term lenders by virtue of difference in par haircuts or the mix of new debt. TL--Term loan. LMT--Liability management transaction. Sources: S&P Global Ratings and company reports.

First-lien TL restructuring: pro rata offers have typically outnumbered lop-sided LMTs over the past five quarters (count/quarter)



Data compares out-of-court 1L term loan restructurings where all existing 1L TL lenders were offered the opportunity to participate on equal terms for their loans (Pro Rata Offers) versus those where either all lenders were disadvantaged by new third-party debt or where the restructuring was designed to produce disparate outcomes among existing 1L term lenders by virtue of difference in par haircuts or the mix of new debt. TL--Term loan. LMT--Liability management transaction. Sources: S&P Global Ratings and company reports.

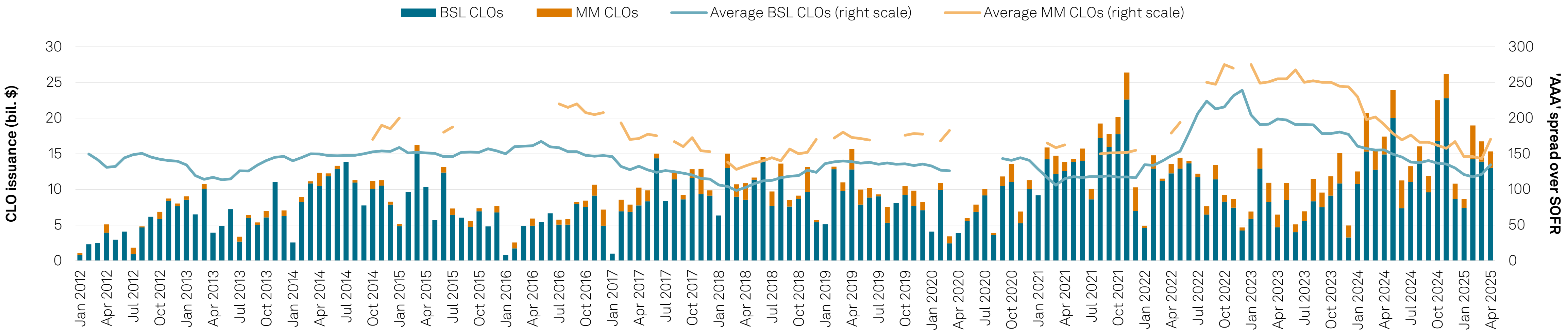
Further Reading

- U.S. Leveraged Finance Q1 2025 Update: Private Credit Boom Narrows Gap To BSL Market, April 24, 2025
- Q1 2025 U.S. And Canada Leveraged Finance Summary Report: Credit Quality Holds Amid Rising Uncertainty, April 24, 2025
- Loose Maintenance Covenants Permeate Private Credit, April 23, 2025
- EBITDA Addback Levels Remain High Despite Some Easing, April 17, 2025
- Scenario Analysis: Stress Tests Reveal Likely Cracks In Credit Profiles Of 'B-' Rated North American Corporate Issuers, April 17, 2025
- Debt Restructuring Snapshot: Empire Today, April 4, 2025
- Debt Restructuring Snapshot: KNS Holdco LLC, March 31, 2025
- Debt Restructuring Snapshot: OT Merger Corp. (dba Oregon Tool), March 26, 2025
- Debt Restructuring Snapshot: Physician Partners LLC (dba Better Health), March 26, 2025
- CreditWeek: What Challenges Will U.S. Leveraged Finance Face In 2025?, Feb. 20, 2025
- Systemic Risk: Private Credit’s Characteristics Can Both Exacerbate And Mitigate Challenges Amid Market Evolution, Feb. 18, 2025
- U.S. Leveraged Finance Q4 2024 Update: Outperforming Private Credits Thrive After BSL Transition, Jan. 31, 2025
- Debt Restructuring Snapshot: FinThrive Software Intermediate Holdings Inc., Jan. 15, 2025
- Debt Restructuring Snapshot: Reception Purchaser LLC (STG Logistics), Dec. 13, 2024
- North American Sector Recoveries: Actual 1L Debt Recoveries Trend Down; Significant Drops In Some Sectors, Dec. 11, 2024
- Private Markets: How Will Private Credit Respond To Declining Yields?, Dec. 4, 2024
- Code And Care: Navigating Private Credit Risk In The Software And Health Care Services Industries, Nov. 19, 2024
- Debt Restructuring Snapshot: PECF USS Intermediate Holding III Corp. (United Site Services Inc.), Nov. 6, 2024
- U.S. Leveraged Finance Q3 2024 Update: Sponsor-Backed Companies Experiencing Highlights And Lowlights, Oct. 30, 2024
- Demystifying Loan Liability Management Transactions And Their Impact On First-Lien Lenders, Oct. 30, 2024
- Distressed Exchanges Underpin Rise In North American Selective Defaults, Oct. 28, 2024
- Debt Restructuring Snapshot: Del Monte Foods Inc. Oct. 8, 2024
- Debt Restructuring Snapshot: Magenta Buyer LLC (dba Trellix And Skyhigh Security), Oct. 2, 2024
- Are Prespects For Global Debt Recoveries Bleak? March 14, 2024

Broadly Syndicated Loan CLOs

CLO Issuance | Busy First Quarter Followed By Tariff-Driven Turmoil

U.S. BSL and MM CLO issuance (Jan. 2012 through April 2025)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024 through April	2025 through April	Change
New issue (U.S. bil. $)																
BSL CLOs	50.11	78.12	117.78	93.76	64.01	103.58	112.88	103.65	82.21	164.97	116.99	88.71	163.45	53.68	48.51	-9.6%
MM CLOs	4.15	4.31	6.32	5.15	8.28	14.49	15.97	14.82	11.33	22.53	11.98	27.10	38.50	12.49	11.18	-10.5%
Total new issue	**54.26**	**82.43**	**124.10**	**98.91**	**72.30**	**118.07**	**128.86**	**118.47**	**93.54**	**187.49**	**128.97**	**115.82**	**201.95**	**66.17**	**59.69**	**-9.8%**
MM CLO (%)	7.60	5.20	5.10	5.20	11.50	12.30	12.40	12.50	12.10	12.00	9.30	23.40	19.06	18.87	18.73	
Reset/refi (U.S. bil. $)																
BSL CLOs	0.00	0.00	0.00	0.00	39.73	161.53	151.97	41.33	30.39	237.61	17.35	21.55	285.50	55.61	96.12	72.9%
MM CLOs	0.00	0.00	0.00	0.00	0.00	5.48	3.92	2.46	1.09	13.70	7.42	3.05	22.68	3.35	18.70	457.9%
Total resets/refis	**0.00**	**0.00**	**0.00**	**0.00**	**39.73**	**167.01**	**155.89**	**43.79**	**31.48**	**251.31**	**24.77**	**24.60**	**306.94**	**58.96**	**114.82**	**94.7%**

BSL--Broadly-syndicated loan. MM--Middle-market. CLO--Collateralized loan obligation. Sources: S&P Global Ratings, LevFin Insights, and Pitchbook LCD.

CLO Metrics | BSL CLO Metrics Still Stable, But For How Long?

- The U.S. CLO Insights Index averages CLO portfolio metrics across a large sample of reinvesting S&P Global Ratings-rated U.S. BSL CLOs and provides a one-year lookback at performance.
- The Index includes CLOs that have been reinvesting for the entirety of the past year and is based on a cohort of transactions with at least 11 months of processed trustee reports. Therefore, numbers from prior months can change as new CLOs are added or removed from the one-year lookback period.

As of date	'B-' (%)	'CCC' category (%)	Below 'CCC-' (%)	SPWARF	WARR (%)	Weighted avg. spread (%)(iv)	Watch negative (%)	Negative outlook (%)	Weighted avg. price of portfolio ($)	Jr. O/C cushion (%)	% of target par
4/30/2024(i)	25.69	6.13	0.92	2716	59.21	3.63	0.92	15.82	97.21	4.27	99.73
5/31/2024(i)	25.34	6.40	0.41	2679	59.58	3.62	0.93	15.47	97.33	4.14	99.65
6/30/2024(i)	25.24	6.11	0.33	2663	59.36	3.62	1.13	14.92	97.05	4.19	99.62
7/31/2024(i)	25.11	6.20	0.27	2654	59.28	3.59	0.93	15.00	97.13	4.20	99.57
8/30/2024(i)	25.09	6.16	0.52	2669	58.90	3.58	1.10	14.68	97.11	4.13	99.49
9/30/2024(i)	24.98	6.15	0.52	2669	59.06	3.55	1.43	14.90	97.20	4.00	99.42
10/31/2024(i)	24.62	5.99	0.51	2657	59.10	3.53	1.27	14.20	97.34	4.04	99.38
11/30/2024(i)	25.23	5.19	0.65	2656	58.80	3.52	1.16	13.30	97.62	3.97	99.32
12/31/2024(i)	25.48	5.32	0.46	2645	58.68	3.49	1.25	13.33	97.49	3.93	99.27
1/31/2025(i)	25.39	5.43	0.44	2645	58.30	3.48	0.68	13.23	97.53	3.88	99.26
2/28/2025(i)	24.71	5.29	0.70	2653	58.27	3.45	0.83	13.16	97.29	3.87	99.22
3/31/2025(ii)	24.22	5.68	0.71	2662	58.05	3.43	1.09	12.90	96.45	3.80	99.18
4/22/2025(iii)	24.23	5.92	0.76	2672	57.52	3.40	1.25	12.81	94.80	3.80	99.18

(i)Index metrics based on end-of-month ratings and pricing data and as of month portfolio data available.

(ii)Index metrics based on March 31, 2025, ratings and pricing data and latest portfolio data available to us.

(iii)Index metrics based on April 22, 2025, ratings and pricing data and latest portfolio data available to us.

(iv)Weighted average spread across rated U.S. BSL CLO portfolios.

BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. O/C--Overcollateralization. SPWARF--S&P Global Ratings' weighted average rating factor. WAS--Weighted average spread. WARR--Weighted averaged recover rate.

Source: S&P Global Ratings.

CLO Metrics | Looking Beyond The Averages: Top 20% And Bottom 20%

Credit metrics for best performing quintile of BSL CLOs

As of date	'B-' (%)	'CCC' category (%)	Below 'CCC-' (%)	SPWARF	WARR (%)	Jr. O/C cushion (%)	% of target par
4/30/2024(i)	24.17	5.51	0.91	2668	59.87	3.89	99.57
5/31/2024(i)	23.97	5.96	0.33	2635	60.08	3.99	99.52
6/30/2024(i)	23.79	5.74	0.28	2618	59.89	4.04	99.50
7/31/2024(i)	23.63	5.85	0.20	2609	59.84	4.03	99.46
8/30/2024(i)	23.71	5.93	0.36	2625	59.38	3.96	99.42
9/30/2024(i)	23.52	5.91	0.46	2630	59.52	3.90	99.37
10/31/2024(i)	23.21	5.84	0.40	2618	59.53	3.98	99.40
11/30/2024(i)	24.00	5.06	0.49	2616	59.11	4.02	99.40
12/31/2024(i)	24.45	5.16	0.32	2608	58.99	4.06	99.39
1/31/2025(i)	24.30	5.29	0.31	2607	58.73	4.07	99.39
2/28/2025(i)	23.82	4.98	0.63	2620	58.61	4.13	99.40
3/31/2025(ii)	23.23	5.20	0.73	2634	58.40	4.14	99.39
4/22/2025(iii)	23.50	5.45	0.68	2640	57.86	4.14	99.39

Credit metrics for worst performing quintile of BSL CLOs

As of date	'B-' (%)	'CCC' category (%)	Below 'CCC-' (%)	SPWARF	WARR (%)	Jr. O/C cushion (%)	% of target par
4/30/2024(i)	25.22	7.26	1.09	2756	58.72	4.22	99.75
5/31/2024(i)	24.98	7.42	0.69	2725	59.14	3.92	99.67
6/30/2024(i)	24.61	7.24	0.54	2702	58.91	3.87	99.59
7/31/2024(i)	24.29	7.21	0.47	2685	58.78	3.86	99.49
8/30/2024(i)	24.02	6.98	0.83	2701	58.52	3.79	99.38
9/30/2024(i)	23.85	6.88	0.83	2696	58.73	3.56	99.28
10/31/2024(i)	23.37	6.66	0.78	2678	58.79	3.58	99.13
11/30/2024(i)	24.07	5.70	0.82	2664	58.52	3.43	98.96
12/31/2024(i)	23.96	5.83	0.72	2654	58.39	3.31	98.87
1/31/2025(i)	23.92	5.83	0.70	2652	57.94	3.22	98.87
2/28/2025(i)	23.35	5.82	0.90	2659	58.00	3.08	98.79
3/31/2025(ii)	23.19	6.48	1.12	2698	57.59	2.90	98.68
4/22/2025(iii)	23.42	6.69	1.06	2703	57.05	2.88	98.66

(i)Index metrics based on end-of-month ratings and pricing data and as of month portfolio data available. Top and bottom 20% of CLOs ranked by change in junior O/C test cushion over past year across our index of reinvesting BSL CLOs.

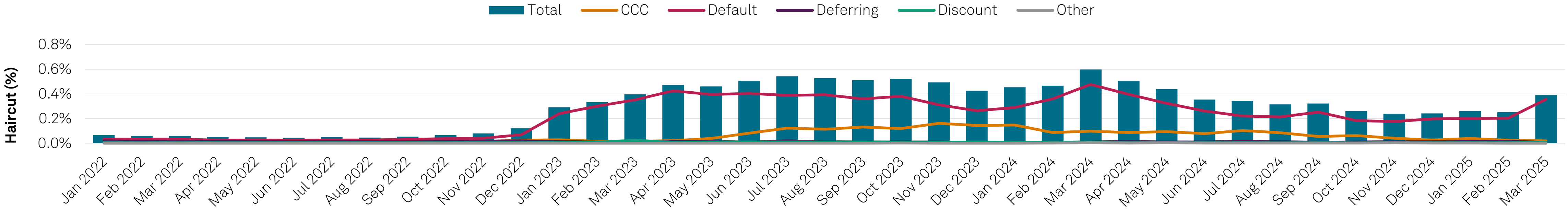
(ii)Index metrics based on March 31, 2025, ratings and pricing data and latest portfolio data available to us.

(iii)Index metrics based on April 22, 2025, ratings and pricing data and latest portfolio data available to us.

BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. O/C--Overcollateralization. SPWARF--S&P Global Ratings' weighted average rating factor. WARR--Weighted averaged recover rate. Source: S&P Global Ratings.

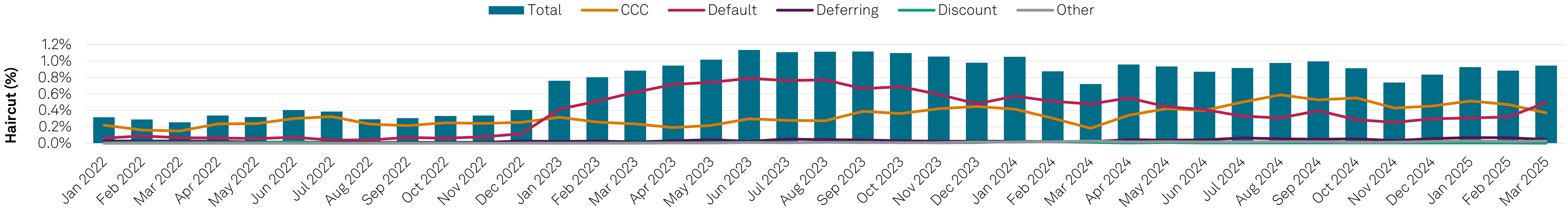
CLO Metrics | Loan Price Declines Drive Increase In Overcollateralization (O/C) Test Haircuts

Average O/C metrics for reinvesting U.S. BSL CLOs



O/C--Overcollateralization. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

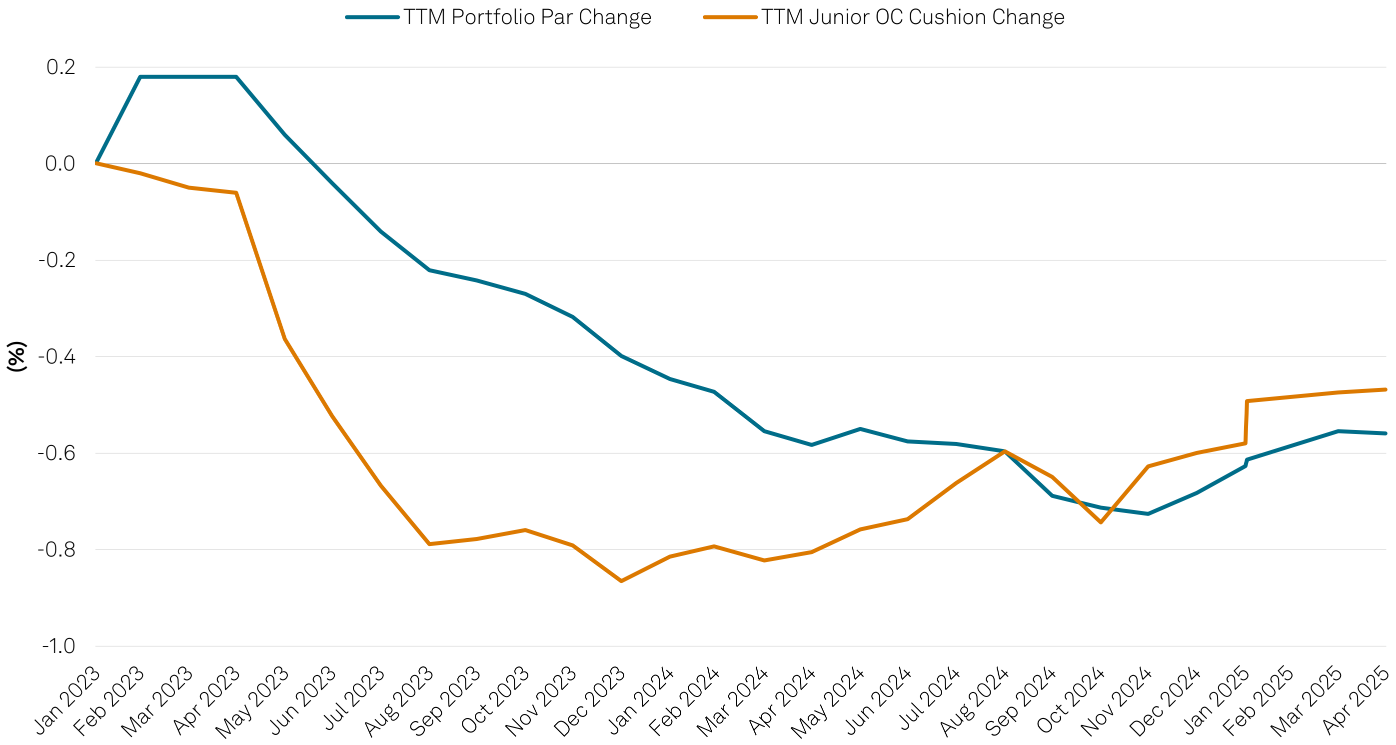
Average O/C metrics for amortizing U.S. BSL CLOs



O/C--Overcollateralization. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

CLO Metrics | Portfolio Par Balance And Junior O/C Test Cushion Trends

Trailing 12-month change in portfolio par balance and junior OC cushion across reinvesting U.S. BSL CLOs



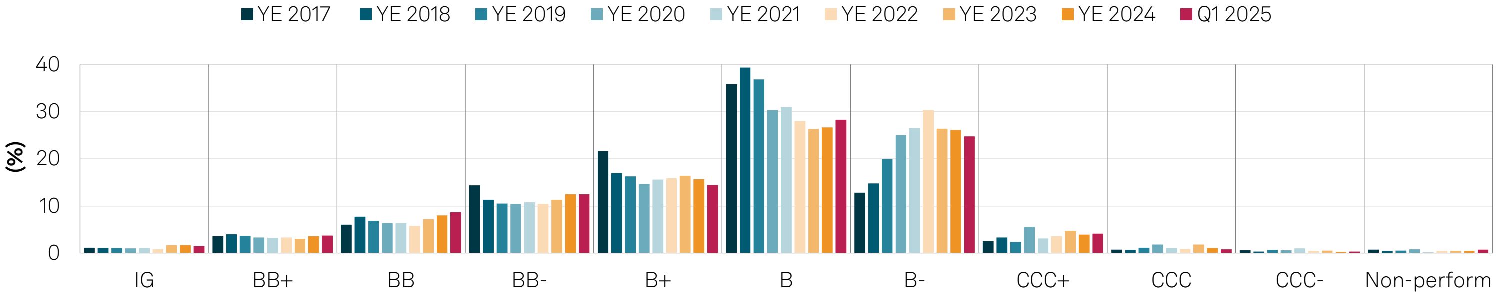
TTM—Trailing 12 months. O/C--Overcollateralization. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

- The chart to the left shows the average one-year change in portfolio par balances and junior O/C cushion across reinvesting U.S. BSL CLOs.
- For most of this time period, U.S. BSL CLOs have experienced par loss (partially due to derisking trades, defaults as well restructurings); par loss as well as exposures to defaults were the main cause for the decline in junior O/C cushion.
- There was a period where the average U.S. BSL CLO experienced par gain due to bonds purchased at a discount during a period of rising interest rates.

Asset Ratings | Loans From ‘B-’ Obligors Decrease, But What Happens Next?

Rating distribution for assets in reinvesting U.S. BSL CLOs

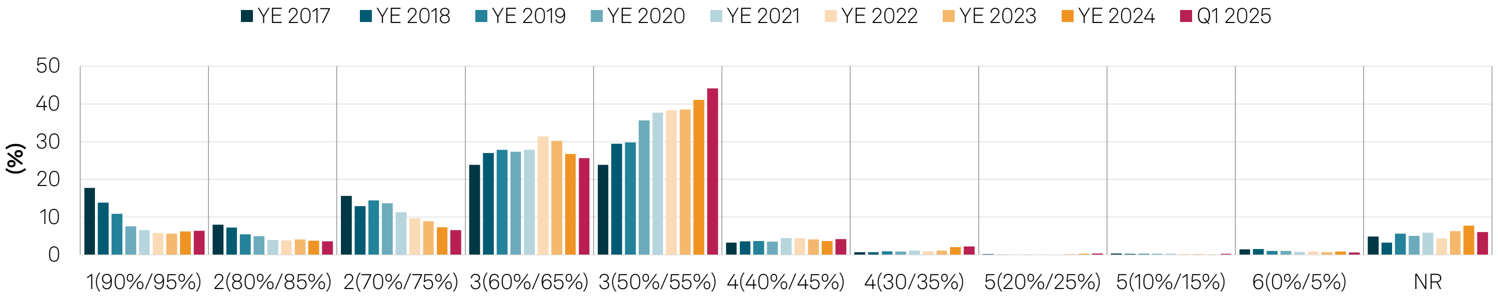
YE 2017 through Q1 2025



Latest data as of Apr. 1, 2025. YE--Year end. Source: S&P Global Ratings.

Recovery ratings distribution for assets in reinvesting U.S. BSL CLOs

YE 2017 thru Q1 2025



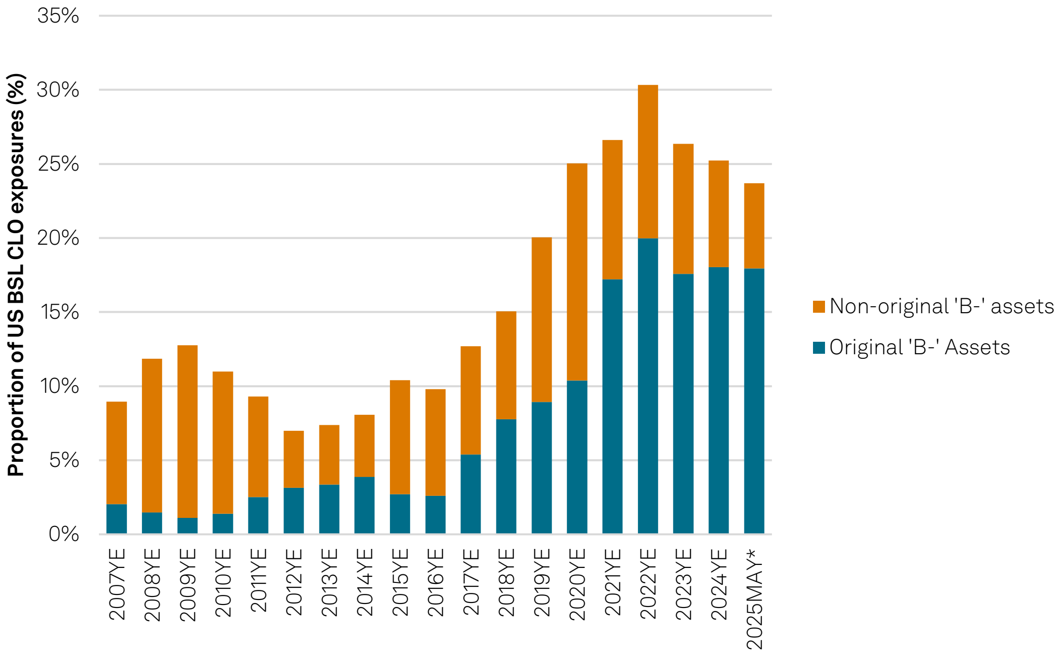
Latest data as of April 1, 2025. NR--Not rated. YE--Year end. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

- Exposure to ‘B-’ rated issuers has declined to below 25%, a level not seen since mid 2020. Historically, companies rated ‘B-’ are more likely to see a downgrade (by definition, into the ‘CCC’ range or lower) or default than loans from companies rated ‘B’ or higher.
- Where ‘B-’ exposure in BSL CLOs goes next depends upon several factors, including corporate rating downgrades, the extent to which CLO managers de-risk portfolios and potentially, some ‘B-’ BSL obligors shifting to the direct lending market.
- Over the past several years, there has also been a significant increase in loans with a recovery rating of ‘3’, and assets with point estimates of either 50% or 55% (i.e., the 3L category in the chart) make up over 44% of total CLO assets.

Asset Ratings | Majority Of Current ‘B-’ Assets Were Born That Way

- Historically, ‘B-’ exposure across U.S. BSL CLOs was much smaller and was typically made up of issuers that were downgraded to ‘B-’ from a higher rating .
- Since 2017, there has been significant growth in issuers originally rated ‘B-’ (blue bar).
- ‘B-’ exposure across reinvesting U.S. BSL CLOs have declined since year-end 2022, largely driven by a decline in exposures to issuers that were downgraded to ‘B-’ (exposures to originally rated ‘B-’ has remained relatively flat since year-end 2022).

'B-’ exposure across reinvesting U.S. BSL CLOs



Proportion of 'B-’ exposures downgraded since 2Q 2024

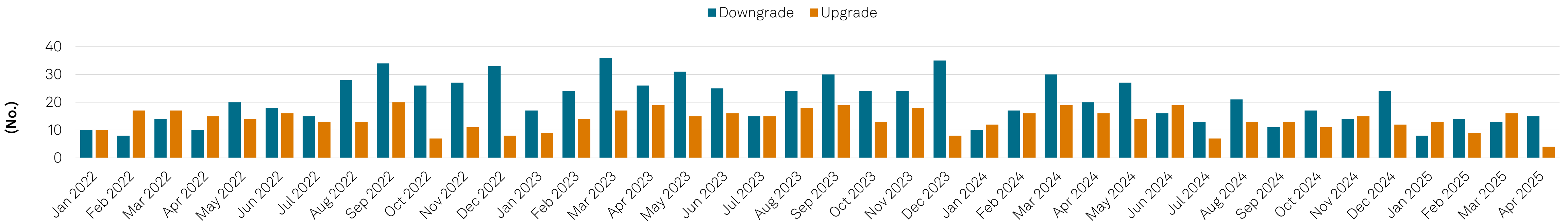
% of CLO assets at start of Q2 2024	% exposures (a)	% exposures downgraded since Q2 2024 (b)	Proportion (%) downgraded since Q2 2024 (b/a)
'B-' original rating	16.70	1.08	6.49
Not original 'B-' rating	9.34	1.99	21.30
Total 'B-'	26.04	3.07	11.80

‘B-’ Values as of start of Q2 2025	US BSL CLO exposure (%)	WAP	WAM	Proportion on outlook negative (%)
B-' original rating	17.96	96.84	6/25/2029	7.34
Not original 'B-' rating	5.75	91.91	8/18/2028	17.01
Total 'B-'	23.71	95.56	4/3/2029	9.91

CLO--Collateralized loan obligation. AUM--Assets under management. WAP--Weighted average price. WAM--weighted average maturity
Source: S&P Global Ratings.

Asset Ratings | U.S. CLO Obligor Downgrades (2022 – April 2025)

Downgrades on U.S. BSL CLO obligor ratings (2022-Q1 2025)

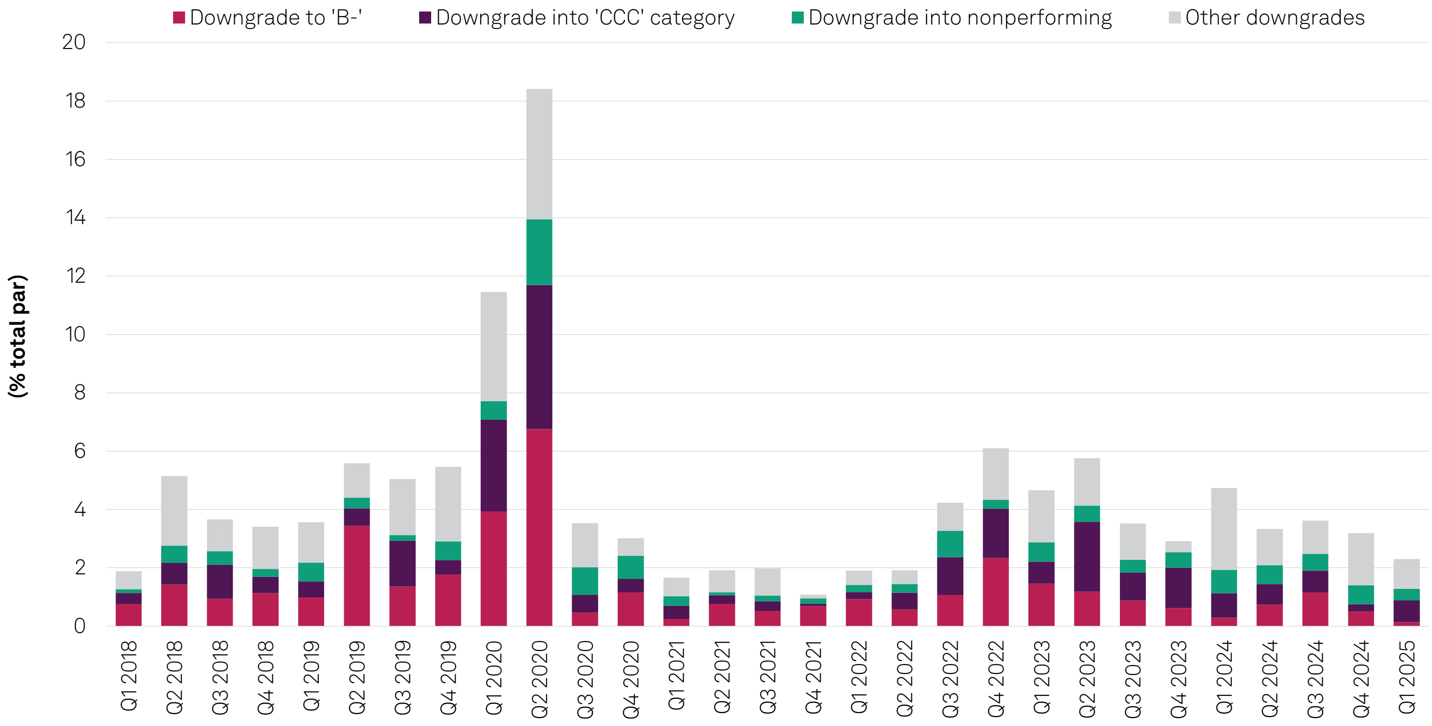


	Downgrades						Upgrades			
Month	**Total DG***	**DG to B-**	**DG into 'CCC' category**	**DG into 'CC' category**	**SD/D**	**DG:UG ratio**	**Total UG***	**UG to 'B' or above**	**UG to 'B-'**	**UG within 'CCC' category**	**Emergence from 'SD'/'D'**
Q1 2022	32	9	8	1	3	0.7	44	37	6	1	2
Q2 2022	48	16	12	4	6	1.1	45	32	12	1	3
Q3 2022	77	31	22	2	12	1.7	46	35	9	2	4
Q4 2022	86	22	30	5	7	3.3	26	25	1	0	8
Q1 2023	77	21	19	3	23	1.9	40	37	2	1	16
Q2 2023	82	17	35	5	26	1.6	50	48	2	0	15
Q3 2023	69	13	15	2	16	1.3	52	42	8	2	12
Q4 2023	83	17	26	5	18	2.1	39	37	2	0	14
Q1 2024	57	12	8	5	22	1.2	47	42	3	2	13
Q2 2024	63	13	20	3	20	1.3	49	42	5	2	20
Q3 2024	45	11	12	3	13	1.4	33	29	4	0	11
Q4 2024	55	5	11	9	24	1.4	38	32	4	2	21
Q1 2025	35	3	11	3	16	0.9	38	27	10	1	13
Total	**809**	**190**	**229**	**50**	**206**	**1.5**	**547**	**465**	**68**	**14**	**152**

*Defaults/emergence from default are not included in total DG or total UG counts. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. DG--Downgrade. UG--Upgrade. SD--Selective default. Source: S&P Global Ratings.

Asset Ratings | BSL CLO Exposure To Corporate Rating Downgrades Declines Slightly In First-Quarter 2025

Average CLO assets downgraded (% total par) by quarter



CLO--Collateralized loan obligation. Source: S&P Global Ratings.

- The chart on the left shows BSL CLO collateral (by par) that has been downgraded during each quarter since 2018.
- Exposure to downgrades across U.S. BSL CLO obligors in the first quarter of 2025 has declined to a recent low.
- The proportion of BSL CLO collateral downgraded to ‘B-’ has declined to a recent low of 0.14% on average in 1Q2025 (see slide 38 for details on the decline in exposure to issuers that have been downgraded to ‘B-’).

S&P Global
Ratings

Managers | Exposure To Fourth-Quarter Rating Actions For Select Managers

Average CLO assets downgraded and upgraded

(% total par, by CLO manager group for first-quarter 2025)

Manager at close of deal	Deals in sample (no.)§	Upgrades (%)	Downgrades (%)	Downgrade to 'B-' (%)	Downgrade into 'CCC' category (%)	Downgrade into nonperforming (%)	Other downgrades (%)	Top 250 (%)	Sum of upgrades (%)*	Sum of downgrades (%)*
Blackstone / GSO CLO Management LLC	34	1.50	3.70	0.52	1.97	0.38	0.83	58.15	9.72	11.87
Elmwood Asset Management LLC	30	2.57	2.04	0.01	0.35	0.42	1.25	57.48	11.14	12.83
Oak Hill Advisors LP	29	1.49	2.12	0.36	1.26	0.05	0.44	55.13	8.15	8.27
Onex Credit Partners LLC	27	1.64	2.04	-	0.52	0.41	1.11	50.04	10.16	8.41
PGIM Inc.	22	1.86	1.32	0.23	0.23	0.26	0.59	54.99	13.16	15.09
Benefit Street Partners LLC	20	2.71	2.55	-	0.61	0.32	1.62	54.78	13.41	10.56
Trinitas Capital Management, LLC	17	1.68	2.17	-	0.06	0.43	1.68	52.11	10.27	10.62
Ares CLO Management LLC	16	0.74	3.07	0.29	1.13	0.21	1.44	49.95	8.04	13.04
Redding Ridge Asset Management LLC	16	1.94	2.82	0.00	1.98	-	0.83	67.63	11.60	13.05
Generate Advisors, LLC	15	1.65	2.67	-	0.87	0.94	0.86	42.12	6.54	14.63
Oaktree Capital Management L.P.	14	2.06	1.56	-	-	0.38	1.18	55.32	11.93	12.91
Ballyrock Investment Advisors LLC	13	2.57	2.09	0.25	0.54	0.10	1.20	52.24	9.19	13.68
CIFC Asset Management LLC	13	2.00	3.26	-	1.26	0.61	1.39	56.50	11.32	13.46
Barings LLC	12	2.18	1.08	-	0.48	0.11	0.49	49.12	12.24	8.97
BlackRock Financial Management Inc.	12	2.40	2.52	0.07	1.25	0.08	1.12	62.91	14.20	11.64

*Sum of latest four quarters as reported across current and prior three quarterly slide deck updates. §S&P Global Ratings-rated. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

Managers | Exposure To Fourth-Quarter Rating Actions For Select Managers (continued)

Average CLO assets downgraded and upgraded

(% total par, by CLO manager group for first-quarter 2025)

Manager at close of deal	Deals in sample (no.)§	Upgrades (%)	Downgrades (%)	Downgrade to 'B-' (%)	Downgrade into 'CCC' category (%)	Downgrade into nonperforming (%)	Other downgrades (%)	Top 250 (%)	Sum of upgrades (%)*	Sum of downgrades (%)*
Palmer Square Capital Management LLC	12	0.64	1.46	-	0.61	0.58	0.27	47.98	9.33	10.30
Sixth Street CLO Management, LLC	12	1.68	2.36	0.63	0.53	0.20	1.00	55.88	9.99	10.01
TCW Asset Management Co. LLC	12	1.01	2.73	0.36	1.04	0.32	1.00	39.98	9.52	13.56
AEGON USA Investment Management LLC	11	1.89	1.23	-	0.10	0.52	0.61	50.48	11.74	14.24
Allstate Investment Management Co.	11	2.32	1.32	-	0.31	-	1.01	59.62	11.52	5.58
UBS Asset Management (Americas) LLC	11	1.97	4.36	0.50	1.45	0.37	2.03	50.00	9.03	13.43
Fortress Investment Group LLC	10	2.90	0.84	-	0.42	0.43	-	23.26	10.00	9.29
Carlyle Investment Management LLC	9	1.47	2.74	-	0.90	0.20	1.64	53.82	9.58	12.61
Marathon Asset Management, L.P.	9	2.33	2.04	0.24	0.11	0.40	1.30	54.69	9.82	11.40
Mariner Investment Group LLC	9	3.58	1.75	-	0.50	0.32	0.93	49.90	14.54	13.08
Neuberger Berman Investment Advisers LLC	9	1.59	3.21	0.30	0.83	1.16	0.92	54.65	11.59	14.89
Bain Capital Credit LP	8	1.83	2.29	0.18	0.61	0.51	0.99	46.09	11.60	9.23
Canyon CLO Advisors LLC	8	1.65	0.96	-	-	0.25	0.70	50.88	10.57	10.79
CVC Credit Partners U.S. CLO Management LLC	8	3.08	3.26	0.01	-	0.86	2.39	54.52	13.65	15.58
Diameter CLO Advisors LLC	8	1.40	1.12	0.11	-	0.09	0.93	46.89	9.76	7.91

*Sum of latest four quarters as reported across current and prior three quarterly slide deck updates. §S&P Global Ratings-rated. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

Managers | Wide Range Of Corporate Credit Metrics Across Managers

Wide range in leverage, interest coverage and company sizes across the U.S. BSL CLO portfolios, representing the different areas of focus across the CLO managers.

Manager at close of deal	Obligors matched to corporate metrics (%)	Median revenues (mil. $)	Median EBITDA (mil. $)	Median debt to EBITDA	Median EBITDA interest coverage	Median FOCF to debt (%)	Revenues weighted by exposure (mil. $)	EBITDA weighted by exposure (mil. $)	Debt to EBITDA weighted by exposure*	EBITDA interest coverage weighted by exposure *	FOCF to debt weighted by exposure	Proportion less than $750 mil. debt (%)
Blackstone	82.68	1,916	354	6.23	2.01	3.80	4,195	828	7.40	2.12	1.06	6.79
Oak Hill	83.77	1,879	379	6.07	2.05	4.37	3,284	719	6.83	2.29	1.06	8.64
Elmwood	82.17	2,076	365	5.82	2.28	5.27	4,163	804	6.52	2.57	2.40	7.97
PGIM	80.02	2,397	467	5.35	2.40	5.85	5,640	1,196	6.14	2.66	1.70	8.02
Benefit Street	75.81	2,030	393	5.86	2.09	4.19	4,855	1,014	6.42	2.37	1.04	8.60
Onex	80.34	2,142	375	6.15	2.03	4.20	4,771	938	6.56	2.40	1.62	6.94
Ares	79.91	1,906	379	6.06	2.02	4.84	4,093	878	6.96	2.14	2.24	8.75
Trinitas	77.69	1,941	375	5.95	2.15	4.80	3,665	770	6.69	2.44	0.95	6.91
Ballyrock	81.53	2,343	405	5.58	2.26	5.13	4,568	921	6.39	2.57	1.00	7.55
CIFC	76.50	1,833	339	6.07	2.05	4.47	5,082	1,021	6.80	2.28	1.47	7.24
Apollo	80.40	2,289	419	6.23	2.07	3.38	4,644	924	7.05	2.27	1.12	4.81
Oaktree	72.89	2,100	431	5.69	2.24	4.89	4,797	1,005	6.21	2.53	1.67	7.26
Credit Suisse	79.43	1,680	286	5.82	2.16	4.76	3,383	654	7.33	2.27	1.41	10.80
BlackRock	82.09	2,326	483	6.08	2.17	4.09	4,643	909	6.63	2.43	1.45	5.82
Generate	82.19	1,879	295	5.96	2.05	4.40	3,786	679	6.61	2.49	1.85	13.53

*Excluded issuers with a ratio greater than 20 and less than -20. Median and weighted average corporate metrics based off latest CLO portfolios available to us as of Jan. 1, 2025, which are matched to latest corporate financial data available to us; 80% match across the CLO portfolios. FOCF--Free operating cash flow. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

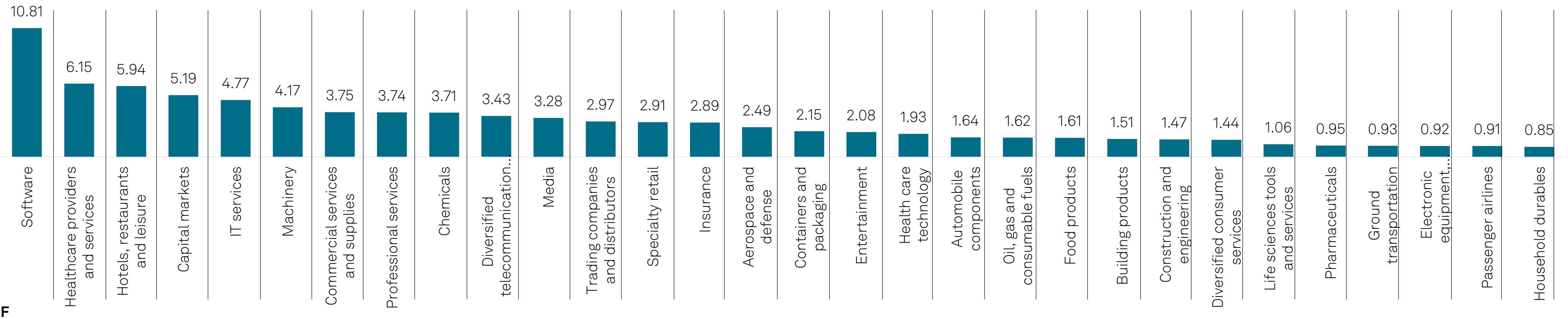
Managers | Wide Range Of Corporate Credit Metrics Across Managers (continued)

Manager at close of deal	Obligors matched to corporate metrics (%)	Median revenues (mil. $)	Median EBITDA (mil. $)	Median debt to EBITDA	Median EBITDA interest coverage	Median FOCF to debt (%)	Revenues weighted by exposure (mil. $)	EBITDA weighted by exposure (mil. $)	Debt to EBITDA weighted by exposure*	EBITDA interest coverage weighted by exposure *	FOCF to debt weighted by exposure	Proportion less than $750 mil. debt (%)
Sixth Street	80.83	1,984	399	6.19	2.05	4.36	3,195	691	7.00	2.20	1.06	7.67
Palmer Square	76.31	1,855	385	5.96	2.14	4.89	4,051	786	6.54	2.51	2.38	9.01
Neuberger Berman	78.75	2,116	398	5.89	2.14	4.79	5,191	1,152	6.66	2.36	0.80	5.52
Aegon	83.42	2,519	486	5.92	2.18	4.20	5,356	962	6.36	2.43	0.92	8.19
Carlyle	74.24	1,963	381	6.16	2.07	4.31	5,001	1,062	7.14	2.33	1.53	5.91
Octagon	78.10	1,966	341	6.11	2.01	4.20	4,843	1,014	6.86	2.24	1.15	6.53
Allstate	81.53	2,767	509	5.64	2.30	5.11	6,570	1,522	6.25	2.67	2.32	5.51
TCW	79.12	2,005	362	6.10	2.05	3.98	4,363	958	6.87	2.45	2.01	9.15
Barings	82.67	2,425	445	5.81	2.22	4.38	4,691	969	6.25	2.74	1.62	9.32
CVC	79.17	2,173	404	5.86	2.10	4.74	4,891	1,020	6.73	2.34	1.54	7.36
Fortress	71.61	1,171	208	6.61	1.73	2.41	3,206	510	7.05	1.96	7.00	28.67
Marathon	78.95	2,118	379	5.83	2.17	4.96	4,080	791	6.25	2.50	1.07	6.83
Symphony	79.88	2,289	409	6.08	2.04	4.17	4,518	831	6.90	2.15	0.87	4.79
Sound Point	80.14	2,090	363	5.97	2.06	4.17	5,059	1,041	6.84	2.26	1.16	6.39
ORIX	82.29	1,941	371	5.71	2.14	4.06	3,745	743	6.21	2.54	3.02	10.65
Average across all managers	**79.55**	**2,098**	**391**	**5.96**	**2.09**	**4.41**	**4,343**	**882**	**6.59**	**3.35**	**1.85**	**9.58**

*Excluded issuers with a ratio greater than 20 and less than -20. Median and weighted average corporate metrics based off latest CLO portfolios available to us as of Jan. 1, 2025, which are matched to latest corporate financial data available to us; 80% match across the CLO portfolios. FOCF--Free operating cash flow. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

Industry Categories | Credit Metrics Across Top 30 GIC Industry Categories

Assets (%)



	Software	Healthcare providers and services	Hotels, restaurants and leisure	Capital markets	IT services	Machinery	Commercial services and supplies	Professional services	Chemicals	Diversified telecommunication…	Media	Trading companies and distributors	Specialty retail	Insurance	Aerospace and defense	Containers and packaging	Entertainment	Health care technology	Automobile components	Oil, gas and consumable fuels	Food products	Building products	Construction and engineering	Diversified consumer services	Life sciences tools and services	Pharmaceuticals	Ground transportation	Electronic equipment,…	Passenger airlines	Household durables
SPWARF	3226	2995	2084	2193	2539	2652	2715	2777	2799	3014	3290	2579	2630	2773	2370	3045	2297	3492	2603	1800	2721	2472	2529	3151	2875	1898	2228	2855	1813	2581
WAP	95.48	95.76	98.43	99.05	96.32	98.25	96.46	98.26	93.32	94.65	94.21	96.43	94.89	99.42	97.12	96.71	98.69	96.52	96.35	99.22	96.29	94.44	98.85	96.71	98.49	99.03	94.34	97.77	98.9	96.16
WARR (%)	55.65	52.76	69.17	50.78	56.79	54.44	62.53	56.59	61.74	61.30	68.63	48.44	59.72	52.12	54.87	55.42	62.17	58.22	57.95	64.25	56.21	62.79	56.93	53.30	52.18	60.48	53.99	59.70	86.31	57.40
WAS (%)	3.5	3.8	2.9	3.1	3.4	3.3	3.5	3.3	3.7	3.1	3.6	3.2	3.4	3.0	3.1	3.5	3.3	3.3	3.9	3.3	3.3	3.5	3.6	3.8	3.2	3.3	2.9	3.5	3.0	3.1
Neg. outlook (%)	9.42	9.52	4.17	7.02	5.31	4.25	9.23	21.08	22.42	25.72	27.18	7.47	15.35	0.03	5.31	17.54	3.36	16.29	7.76	11.22	6.15	28.12	4.27	3.4	4.48	14.16	63.35	26.34	5.66	28.66
CreditWatch neg. (%)	1.04	0.00	3.74	0.00	3.05	1.02	0.00	5.81	2.28	0.00	3.29	0.01	0.00	0.00	2.81	5.47	0.00	0.00	1.10	0.00	0.00	0.00	0.00	0.00	1.92	0.04	0.00	0.00	0.00	0.00

SPWARF--S&P Global Ratings' weighted average rating factor. WAP--Weighted average price. WARR--Weighted average recovery rate. WAS--Weighted average spread. O/C--Overcollateralization. Source: S&P Global Ratings.

Industry Categories | Different Industry Groups, Different Downgrades

Count of downgrades across U.S. BSL CLO obligors

GICs industry group(i)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Total
Health Care	6	7	11	11	11	13	8	14	6	10	4	5	3	109
Consumer Discretionary	2	4	13	11	11	12	10	10	7	6	7	10	2	105
Materials	1	0	3	6	8	10	10	10	6	11	3	5	2	75
Commercial & Professional Services	1	5	4	5	4	10	4	4	1	6	2	2	4	52
Communication Services	2	2	6	7	4	1	1	3	7	4	6	5	2	50
Software & Services	2	2	1	7	5	8	5	8	1	1	1	4	4	49
Financial Services	1	5	8	5	3	4	5	3	2	4	0	2	3	45
Capital Goods	3	5	7	0	2	3	6	5	1	1	3	2	2	40
Consumer Staples	4	3	6	1	3	6	2	2	3	2	3	2	1	38
Telecommunication Services	2	0	1	6	2	4	2	4	5	3	2	1	1	33
Technology Hardware & Equipment	1	3	4	3	3	3	1	2	3	1	2	3	0	29
Information Technology	0	2	0	1	1	2	3	2	1	0	5	2	1	20
Media & Entertainment	0	1	0	5	2	2	1	0	1	1	0	1	3	17
Real Estate Management & Development	0	0	0	1	4	1	4	2	1	2	0	2	0	17
Industrials	2	2	0	3	1	0	1	2	0	2	1	2	0	16
Pharmaceuticals, Biotechnology & Life Sciences	0	3	3	1	2	0	1	0	3	1	0	0	1	15
Household & Personal Products	1	2	2	2	2	0	1	1	1	1	0	1	0	14
Energy	0	0	1	2	0	1	1	2	2	2	1	0	1	13
Automobiles & Components	0	0	5	7	1	0	0	0	0	0	0	0	0	13
Consumer Services	2	1	0	1	0	0	1	3	1	1	0	1	1	12
Transportation	0	0	0	0	0	0	0	4	2	4	1	1	0	12
Food, Beverage & Tobacco	1	0	2	0	3	0	2	0	0	0	2	0	1	11
Equity Real Estate Investment Trusts (REITs)	1	0	0	1	1	0	0	1	2	0	0	1	2	9
Semiconductors & Semiconductor Equipment	0	0	0	0	2	1	0	1	1	0	2	2	0	9
Utilities	0	1	0	0	2	1	0	0	0	0	0	1	1	6
Grand Total	32	48	77	86	77	82	69	83	57	63	45	55	35	809

(i)Downgrades to 'SD'/'D' excluded. SD--Selective default. D--Default. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

Industry Categories | Different Industry Groups, Different Defaults

Count of defaults across U.S. BSL CLO obligors (downgrades to 'SD'/'D')

GICs industry group(i)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Total
Consumer Discretionary	0	0	0	0	6	5	4	2	3	2	2	5	4	33
Health Care	0	1	2	1	1	5	1	5	4	5	1	3	2	31
Commercial & Professional Services	0	0	2	0	0	3	2	0	2	0	1	3	2	15
Communication Services	1	0	0	2	3	0	3	1	0	1	1	3	0	15
Materials	0	1	0	0	0	1	1	2	0	4	2	0	0	11
Technology Hardware & Equipment	0	0	0	2	2	3	0	1	1	1	0	1	0	11
Information Technology	1	0	2	0	1	0	2	2	1	2	0	0	0	11
Pharmaceuticals, Biotechnology & Life Sciences	0	0	2	0	4	2	2	0	0	0	0	0	1	11
Capital Goods	0	2	0	1	1	2	0	1	1	0	0	2	0	10
Telecommunication Services	1	0	0	0	0	2	0	1	3	1	0	2	0	10
Software & Services	0	0	0	0	1	1	0	0	2	1	1	0	2	8
Media & Entertainment	0	0	1	0	2	0	0	0	1	1	1	0	0	6
Household & Personal Products	0	1	1	0	1	1	0	0	1	0	1	0	0	6
Financial Services	0	0	0	0	1	0	0	2	1	0	0	1	0	5
Consumer Staples	0	0	0	0	0	0	1	1	0	0	1	1	0	4
Food, Beverage & Tobacco	0	0	0	0	0	0	0	0	0	1	0	0	3	4
Automobiles & Components	0	0	0	1	0	0	0	0	0	0	1	1	0	3
Transportation	0	0	0	0	0	0	0	0	0	0	1	2	0	3
Real Estate Management & Development	0	0	0	0	0	1	0	0	1	0	0	0	0	2
Industrials	0	0	0	0	0	0	0	0	1	0	0	0	1	2
Semiconductors & Semiconductor Equipment	0	0	1	0	0	0	0	0	0	0	0	0	1	2
Energy	0	0	0	0	0	0	0	0	0	1	0	0	0	1
Consumer Services	0	0	1	0	0	0	0	0	0	0	0	0	0	1
Utilities	0	1	0	0	0	0	0	0	0	0	0	0	0	1
Equity Real Estate Investment Trusts (REITs)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grand total	3	6	12	7	23	26	16	18	22	20	13	24	16	206

(i)Downgrades to 'CC' excluded. SD--Selective default. D--Default. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

CLO Research | The Value Of Active Management (April 2024 thru April 2025)

- Turnover of assets in BSL CLO collateral pools between April 2024 and April 2025 was just under 62% at the loan level and 27% at the issuer level (difference due to high level of loan refinancing activity).
- To examine the impact that portfolio turnover had on CLO credit metrics, we looked at the actual change in BSL CLO credit metrics during the 12-month period, including portfolio turnover (**table 1**); metrics from the same BSL CLO collateral pools while assuming they were static CLOs with no trading or asset turnover (**table 2**); and the difference between the actual CLO portfolios and hypothetical static CLO portfolios (**table 3**).
- On average, several CLO credit metrics benefitted from the trading activity (actual vs hypothetical): exposure to 'CCC' assets and defaulted assets was lowered, the SPWARF was lower (indicating higher average portfolio ratings).

Table 1 - Actual BSL CLO Performance (Apr 2024 – Apr 2025)

Metric	APR 2024	APR 2025	Change
Portfolio turnover (%)	N/A	61.93	61.93
Exposure to 'B-' assets (%)	25.69	24.38	-1.31
Exposure to 'CCC' assets (%)	6.13	5.86	-0.27
Exposure to defaulted assets (%)	0.92	0.72	-0.20
SPWARF	2716	2670	-46
Portfolio % of target par (%)	99.73	99.18	-0.56
Junior O/C test cushion (%)	4.27	3.79	-0.47

Table 2 - Hypothetical Static Pool BSL CLO Performance (Apr 2024 – Apr 2025)

Metric	APR 2023	APR 2024	Change
Portfolio turnover (%)	N/A	0	0
Exposure to 'B-' assets (%)	25.69	25.55	-0.14
Exposure to 'CCC' assets (%)	6.13	7.89	1.76
Exposure to defaulted assets (%)	0.92	1.24	0.33
SPWARF	2716	2764	48
Portfolio % of target par	99.73	99.73	0.00
Junior O/C test cushion (%)	4.27	4.01	-0.26

Table 3 - Manager Impact On CLO Metrics (Apr 2024 – Apr 2025)

Metric	Year-end results: managed vs. hypothetical	
Portfolio turnover	61.93% higher	▲
Exposure to 'B-' assets	1.17% lower	▼
Exposure to 'CCC' assets	2.03% lower	▼
Exposure to defaulted assets	0.52% lower	▼
SPWARF	94 lower	▼
Portfolio % of target par	0.56% lower	▼
Junior O/C test cushion	0.21% lower	▼

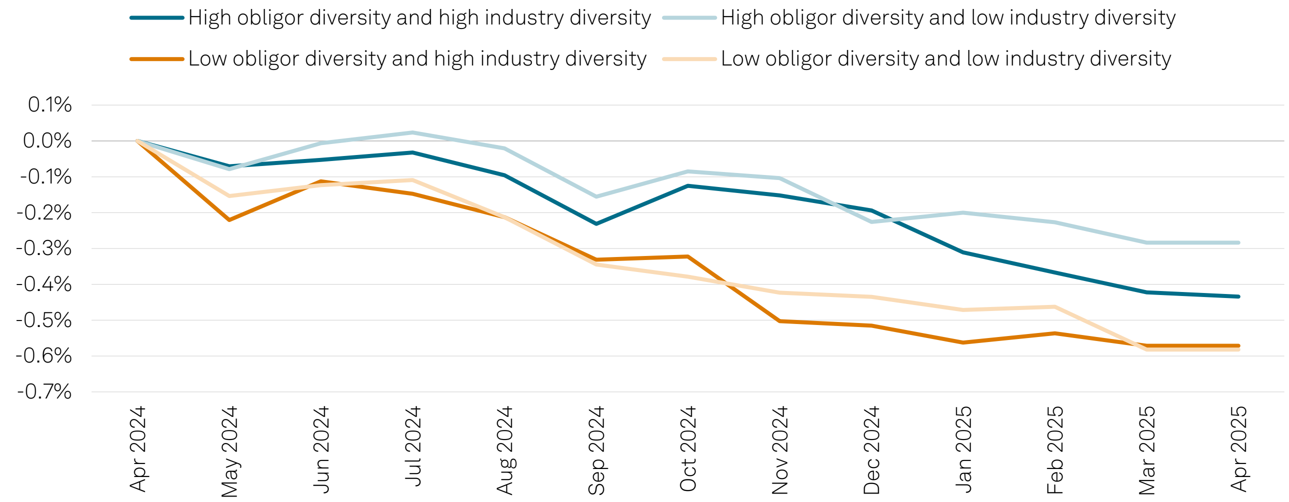
N/A--Not applicable. O/C--Overcollateralization. SPWARF-S&P Global Ratings' weighted average rating factor. YE--Year end. Green arrow—Positive credit impact. Red arrow—Negative credit impact. Gray arrow—No credit impact.
Source: S&P Global Ratings.

CLO Research | Assessing The Impact Of CLO Diversity

We broke our index of 301 reinvesting U.S. BSL CLOs into **four cohorts**:

- High obligor diversity and high industry diversity (83 transactions): dark blue
- High obligor diversity and low industry diversity (67 transactions): light blue
- Low obligor diversity and high industry diversity (67 transactions): dark orange
- Low obligor diversity and low industry diversity (84 transactions): light orange

Change in junior O/C cushion since April 2024



O/C--Overcollateralization. Source: S&P Global Ratings.

- In our prior study on CLO portfolio diversity (see “The Impact Of Asset Diversification On CLO Performance" published March 26, 2024), we found the count of obligors in reinvesting US BSL CLO portfolios have doubled over the 20 year period since (median count of obligors increased from 150 in 2004YE to 300 in 2023YE).
- We found CLO portfolios with low obligor diversity and high industry diversity experienced a higher level of credit deterioration.
- We used the same framework from this study on our current index of reinvesting U.S. BSL CLOs.
- Over the past 12 months, we find:
  - Median obligor count has increased slightly to about 315 (up slightly from 300 in 2023YE)
  - Transactions with low obligor diversity (both high and low industry diversity – dark orange line and light orange line) have weaker OC cushion performance
  - Transactions with low obligor diversity have experienced above average par loss

CLO Research | Comparison Of Metrics Of CLOs With Different Rating Outcomes

Cohort of rating actions across reinvesting US BSL CLOs (Sep 2019-Dec 2024)

Amortizing	Average SPWARF	Average 'B-' exposure (%)	Average 'CCC' category exposure (%)	Average nonperforming exposure (%)	Average exposure prices <80 (%)	Average tranche subordination (%)	Average trustee O/C cushion (%)
'BBB' affirmation	2814	24.33	10.58	1.33	7.05	10.87	2.89
'BBB' to 'BB' downgrade	2920	25.47	13.67	2.48	11.21	9.35	-0.22
'BB' affirmation	2817	24.90	10.08	1.23	6.55	7.65	2.03
'BB' to 'B' downgrade	2863	24.07	12.20	1.87	9.56	6.05	0.40

Cohort of rating actions across amortizing US BSL CLOs (Sep 2019-Dec 2024)

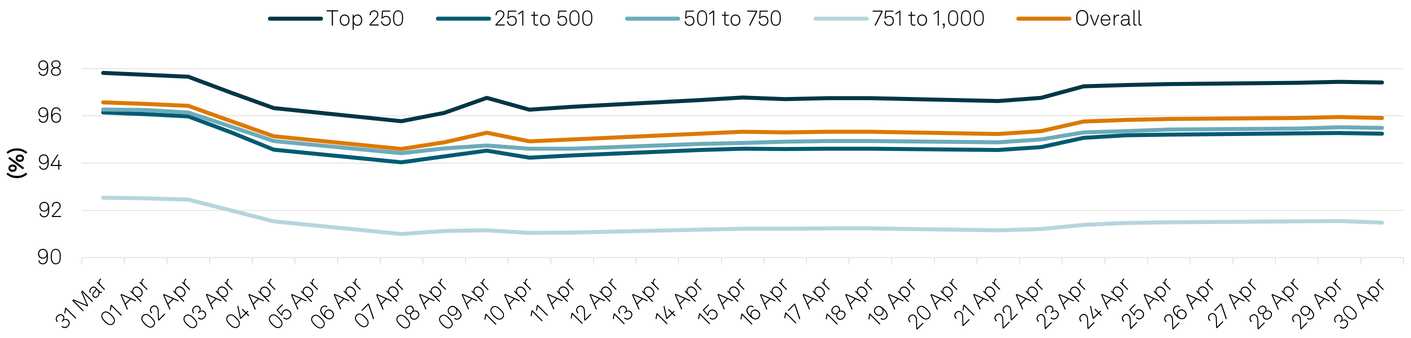
Amortizing	Average SPWARF	Average 'B-' exposure (%)	Average 'CCC' category exposure (%)	Average nonperforming exposure (%)	Average exposure prices <80 (%)	Average tranche subordination (%)	Average trustee O/C cushion (%)
'BBB' affirmation	2830	24.40	12.29	2.00	8.94	28.58	13.15
'BBB' to 'BB' downgrade	2969	21.51	19.96	6.55	16.41	12.05	0.00
'BB' affirmation	2911	23.50	15.22	1.57	8.80	11.28	4.93
'BB' to 'B' downgrade	2920	23.95	14.19	4.51	11.93	6.86	-0.28

Source: S&P Global Ratings.

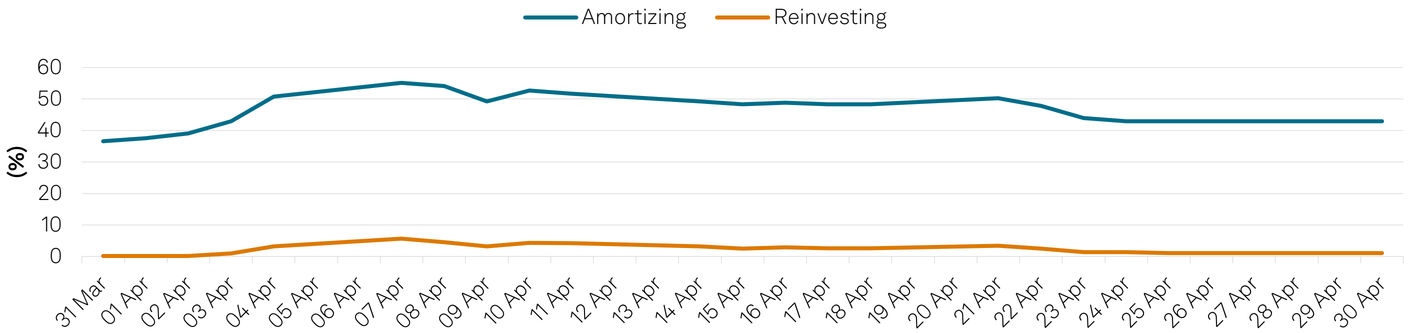
- In the tables to the left, we compare various average metrics across downgraded and affirmed CLO notes rated within the 'BBB' and 'BB' rating categories across transactions reinvesting and amortizing at the time of rating action.
- A majority of these actions occurred in 2020.

CLO Research | Loan Prices Recover Some; CLO Market Value O/Cs Impacted

April 2025 weighted average loan price across U.S. BSL CLO exposures



Proportion of rated U.S. BSL CLOs with sub-100 MVOCs on junior-most tranche



BSL--Broadly syndicated loan. CLO--Collateralized loan obligation. MVOC--Market Value Overcollateralization. Source: S&P Global Ratings.

- Underlying loan prices have recovered some by the end of April; loans from the widely held issuers (top 250) have recovered notably.
- The volatility in the loan prices have caused market value overcollateralizations (MVOCs) to decline; over half of the amortizing transactions had sub-100% MVOC on their junior-most notes by April 7 (a notable proportion of these are junior notes originally rated within the single 'B' category)
- On April 7, about 35% of amortizing transactions had sub-100% MVOCs on their tranches originally rated within the 'BB' category.
- By the end of April, about 43% of amortizing transactions had sub-100% MVOCs on their junior-most note.
- By the end of April, about 22% of amortizing transactions had sub-100% MVOCs on their tranches originally rated within the 'BB' category.

CLO Rating Actions | No U.S. CLO ‘AAA’ Tranche Ratings Lowered Since 2012

- No ‘AAA’ rated U.S. CLO tranche has been downgraded since 2012, and that was for a CLO 1.0 transaction. No CLO ‘AAA’ tranche has ever defaulted.
- Our outlook for both BSL and MM CLO ratings remains stable, especially for more senior, higher-rated CLO tranches, given the structural protections built into CLOs and rating cushions available to support most tranches. CLO tranche rating downgrades should mostly be from subordinate tranches of amortizing CLOs originated prior to the 2020 pandemic.
- From 2021 onward, each year has seen more CLO ratings raised than lowered, despite the challenging economic environment in 2022 and 2023.

U.S. BSL and MM CLO rating upgrades and downgrades (2020-Q1 2025)

UPGRADES

U.S. BSL CLO

Original rating category	**2020**	**2021**	**2022**	**2023**	**2024**	**Q1 2025**
AAA						
AA	5	39	14	29	68	**15**
A	6	47	18	30	60	**12**
BBB	1	46	20	18	31	**5**
BB		73	24	7	3	**2**
B	1	45	5	1		**1**
Grand total	13	250	81	85	162	**35**

U.S. MM CLO

Original rating category	**2020**	**2021**	**2022**	**2023**	**2024**	**Q1 2025**
AAA						
AA		3	3		14	**5**
A		5	4	2	14	**5**
BBB		4	3	3	6	**6**
BB		3	2	2	2	**3**
B						**1**
Grand total	0	15	12	7	36	**20**

DOWNGRADES

U.S. BSL CLO

Original rating category	**2020**	**2021**	**2022**	**2023**	**2024**	**Q1 2025**
AAA						
AA	3					
A	11					
BBB	91	5		2	1	
BB	282	7	5	31	32	**2**
B	105	5	5	15	11	
Grand total	492	17	10	48	44	**2**

U.S. MM CLO

Original rating category	**2020**	**2021**	**2022**	**2023**	**2024**	**Q1 2025**
AAA						
AA						
A	1					
BBB					1	
BB	5				2	
B	1					
Grand total	7	0	0	0	3	**0**

BSL--Broadly syndicated loan. MM--Middle market. Source: S&P Global Ratings.

Defaults | Thirty Years And 67 CLO Tranche Defaults (as of May 6th, 2025)

- S&P Global Ratings has rated **more than 23**,000 U.S. CLO tranches since our first CLOs in the mid-1990s. Our CLO ratings history **spans three recessionary periods**: the dot.com bust of 2000-2001, the global financial crisis in 2008-2009, and the recent COVID-19-driven downturn in 2020.
- Over that period, a total of 67 U.S. CLO tranches **have defaulted:** 40 U.S. CLO tranches from CLO 1.0 transactions originated in 2009 or before, and another 27 U.S. CLO 2.0 tranches.
- There are two tranches rated 'CCC- (sf)' that may default.

U.S. BSL and middle-market CLO 1.0 and 2.0 default summary by original rating (no.)

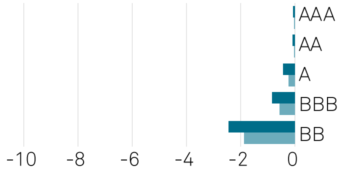
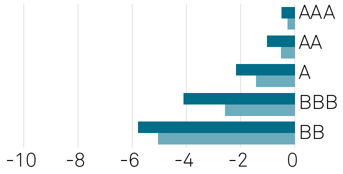
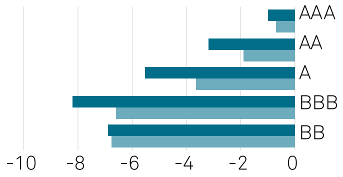
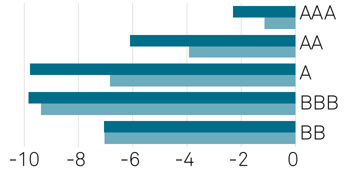
	CLO 1.0 transactions (2009 and prior)			CLO 2.0 transactions (2010 and later)		
	Original ratings(i)	**Defaults(ii)**	**Currently rated**	**Original ratings(i)**	**Defaults(ii)**	**Currently rated(i)**
AAA (sf)	1,540	0	0	5,210	0	2,211
AA (sf)	616	1	0	3,996	0	1,641
A (sf)	790	5	0	3,349	0	1,402
BBB (sf)	783	9	0	3,394	0	1,691
BB (sf)	565	22	0	2,497	15	1,150
B (sf)	28	3	0	486	12	214
Total	**4,322**	**40**	**0**	**18,932**	**27**	**8,309**

(i)Original rating and currently rated counts as of March 31, 2025. (ii)CLO tranche default counts as of May 6, 2025. BSL--Broadly syndicated loan. CLO--Collateralized loan obligation.
Sources: S&P Global Ratings Credit Research & Insights and S&P Global Market Intelligence's CreditPro®.

Scenario Analysis | BSL CLO Rating Stress Scenarios (October 2024 Update)

Summary of scenarios and rating impact (45% recovery)

■ 45% RR ■ 30% RR

Scenario		Impact across CLO sample	Model-determined impact: average notches off current rating
5/10 scenario	426 issuers see ratings lowered, including 181 issuers that default	Average 'CCC' bucket increases to 10%; average nonperforming exposure increases to 5%; average par loss of 2.78% assuming 45% recovery; average par loss of 3.54% assuming 30% recovery	
10/20 scenario	612 issuers see ratings lowered, including 294 issuers that default	Average 'CCC' bucket increases to 20%; average nonperforming exposure increases to 10%; average par loss of 5.50% assuming 45% recovery; average par loss of 7.00% assuming 30% recovery	
15/30 scenario	832 issuers see ratings lowered, including 409 issuers that default	Average 'CCC' bucket increases to 30%; average nonperforming exposure increases to 15%; average par loss of 8.33% assuming 45% recovery; average par loss of 10.61% assuming 30% recovery	
20/40 scenario	1,014 issuers see ratings lowered, including 472 issuers that default	Average 'CCC' bucket increases to 40%; average nonperforming exposure increases to 20%; average par loss of 11.01% assuming 45% recovery; average par loss of 14.01% assuming 30% recovery	

Source: S&P Global Ratings.

- In October 2024, we published an updated version of our BSL CLO rating scenario analysis showing how our ratings would perform under different economic stresses.
- For this year's stress scenarios, we added scenarios with a 30% recovery assumption for defaulted assets alongside the 45% recovery assumption modeling we've published in prior years.
- We've also added two other new stresses where we take a different approach and notch the ratings on all obligors in BSL CLO collateral pools downward by one notch or two notches.
- As with our previous BSL CLO rating stress scenarios, the current analysis shows the CLO structure protecting senior noteholders, with more than 99% of CLO 'AAA' ratings remaining investment-grade even under our harshest scenario, where 20% of loans default with a 30% recovery and CLO 'CCC' baskets expand to 40%.
- For the full article, see "Scenario Analysis: Stress Tests Show U.S. BSL CLO Ratings Able To Withstand Significant Loan Defaults And Downgrades (2024 Update) | S&P Global Ratings," published Oct. 10, 2024.

BSL CLO Rating Stress Scenarios (October 2024 Update)

Downgrade notches under scenarios (45% recovery)

Current rating category	Affirm (%)	-1 (%)	-2 (%)	-3 (%)	-4 (%)	-5 (%)	-6 (%)	≥-7 (%)	Avg. notches	IG (%)	SG (%)	'CCC' (%)	Below 'CCC-'
"5/10" scenario at 45% recovery - all transactions													
AAA	98.01	1.99							0.02	100.00			
AA	97.61	2.03	0.36						0.03	100.00			
A	82.51	12.95	4.41					0.14	0.23	99.86	0.14		
BBB	52.37	41.58	3.55	1.58	0.79	0.13			0.57	58.03	41.97		
BB	25.26	32.01	14.88	10.90	5.71	3.81	1.73	5.71	1.87		100.00	11.07	5.71
"10/20" scenario at 45% recovery - all transactions													
AAA	74.00	26.00							0.26	100.00			
AA	63.60	22.91	12.77	0.48	0.24				0.51	100.00			
A	26.86	18.87	46.14	3.31	3.17	1.38	0.14	0.14	1.43	98.35	1.65		
BBB	8.55	38.68	15.92	10.53	9.08	5.26	3.68	8.29	2.58	11.71	88.29	5.13	3.03
BB	3.81	8.82	7.27	8.65	8.30	7.96	7.27	47.92	5.04		100.00	23.88	47.58
"15/30" scenario at 45% recovery - all transactions													
AAA	30.80	68.74	0.12		0.35				0.70	100.00			
AA	18.02	15.39	48.33	5.49	4.18	8.00	0.12	0.48	1.89	99.76	0.24		
A	3.99	2.62	32.09	9.37	18.18	24.38	2.34	7.02	3.64	66.39	33.61	0.55	0.69
BBB	0.66	6.71	5.13	7.63	12.24	8.29	8.95	50.39	6.60	0.92	99.08	15.79	34.08
BB	0.17	0.35	0.69	2.42	2.08	2.42	2.08	89.79	6.75		100.00	6.57	89.79
"20/40" scenario at 45% recovery - all transactions													
AAA	16.86	66.63	7.26	5.04	3.98			0.23	1.14	100.00			
AA	6.68	2.39	22.20	6.92	13.37	36.99	1.79	9.67	3.92	94.15	5.85		
A	0.69	0.14	6.06	2.34	7.16	31.13	9.23	43.25	6.84	17.63	82.37	7.16	7.99
BBB	0.26	0.53		1.18	3.03	2.11	1.45	91.45	9.37	0.26	99.74	9.87	79.87
BB					0.17	0.17	0.17	99.48	7.04		100.00	0.69	99.31

Downgrade notches under scenarios (30% recovery)

Current rating category	Affirm (%)	-1 (%)	-2 (%)	-3 (%)	-4 (%)	-5 (%)	-6 (%)	≥-7 (%)	Avg. notches	IG (%)	SG (%)	'CCC' (%)	Below 'CCC-'
"5/10" scenario at 30% recovery - all transactions													
AAA	93.44	6.56							0.07	100.00			
AA	93.08	5.73	1.07	0.12					0.08	100.00			
A	70.11	17.63	11.71	0.28	0.14			0.14	0.44	99.86	0.14		
BBB	40.26	46.32	6.45	4.87	1.18	0.39	0.13	0.39	0.84	45.13	54.87	0.39	
BB	19.55	27.51	16.09	9.34	6.57	6.23	3.46	11.25	2.45		100.00	16.44	10.90
"10/20" scenario at 30% recovery - all transactions													
AAA	52.11	47.66	0.12	0.12					0.48	100.00			
AA	40.21	23.27	32.94	0.95	1.91	0.72			1.03	100.00			
A	14.19	11.71	49.59	6.61	8.40	7.85	0.14	1.52	2.17	90.63	9.37	0.14	
BBB	4.61	23.16	11.32	12.50	13.42	7.76	4.61	22.63	4.10	6.97	93.03	10.00	12.37
BB	1.73	6.06	5.19	4.15	6.75	5.02	4.50	66.61	5.78		100.00	16.26	66.44
"15/30" scenario at 30% recovery - all transactions													
AAA	19.20	71.66	2.93	3.86	1.99		0.23	0.12	0.99	100.00			
AA	9.31	6.09	34.96	6.32	12.05	23.39	1.19	6.68	3.18	96.78	3.22		
A	1.79	1.24	13.36	6.47	13.09	30.85	5.79	27.41	5.53	36.23	63.77	3.17	4.82
BBB	0.26	3.16	2.89	3.42	5.66	5.00	4.47	75.13	8.20	0.39	99.61	15.92	58.82
BB		0.35	0.35	0.87	1.90	1.73	1.21	93.60	6.88		100.00	4.84	93.60
"20/40" scenario at 30% recovery - all transactions													
AAA	9.60	38.64	11.36	11.24	22.37	1.29	2.11	3.40	2.29	99.65	0.35		
AA	2.98	1.67	8.00	2.74	5.37	31.86	3.46	43.91	6.10	69.21	30.79	1.07	1.79
A	0.28		2.20	1.24	2.62	12.53	6.20	74.93	9.79	7.02	92.98	14.60	32.37
BBB		0.13	0.26	0.39	0.66	2.11	1.05	95.39	9.83	0.13	99.87	3.82	91.45
BB								100.00	7.06		100.00		100.00

IG--Investment grade. SG--Speculative grade. Source: Scenario Analysis: Stress Tests Show U.S. BSL CLO Ratings Able To Withstand Significant Loan Defaults And Downgrades (2024 Update) | S&P Global Ratings (spglobal.com).

Further Reading

- SF Credit Brief: CLO Insights 2025 U.S. BSL Index: Loan Price Volatility Highlights Tariff-Affected Sectors; CLO Metrics Stable Except For Loan Prices, April 29.2025
- SF Credit Brief: CLO Insights 2025 U.S. BSL Index: U.S. CLO 2.0 Tranche Defaults And Recoveries; 'CCC' Buckets Edge Upward While Average Loan Price Declines, March 28, 2025
- SF Credit Brief: CLO Insights 2025 U.S. BSL Index: Tariffs And Impact On BSL CLO Obligors; Downgrades Across Widely Held Issuers Nudge 'CCC' Buckets Upward, March 4, 2025
- U.S. BSL CLO Obligors: Corporate Rating Actions Tracker 2025 (As Of April 25), May 1, 2025
- CLO Spotlight: U.S. CLO Defaults As Of March 31, 2025, April 21, 2025
- U.S. CLO Newsletter First Quarter 2025, April 17, 2025
- SLIDES: Private Credit And Middle-Market CLO Quarterly: Unknown Unknowns (Q2 2025), April 25, 2025
- U.S. BSL CLO Top Obligors And Industries Report: First-Quarter 2025, April 10, 2025
- Scenario Analysis: Middle-Market CLO Ratings Withstand Stress Scenarios With Modest Downgrades (2024 Update), Dec. 13, 2024
- 2025 U.S. And Canada Structured Finance Outlook, Dec. 13, 2024
- ABS Frontiers: How The Burgeoning CLO ETF Sector Could Impact The Broader CLO Market, Nov. 26, 2024
- Stress Tests Show U.S. BSL CLO Ratings Able To Withstand Significant Loan Defaults And Downgrades (2024 Update), Oct. 10, 2024
- 2023 Annual Global Leveraged Loan CLO Default And Rating Transition Study, June 27, 2024
- U.S. And European BSL CLOs: A Comparative Overview (2024 Update), May 23, 2024
- A Closer Look At Uptier Priming And Asset Drop-Down Provisions In U.S. CLOs, July 26, 2023
- Good Intentions, Limited Impact: ESG-Excluded Sectors Proliferate In U.S. CLO Indentures, May 16, 2022

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Toggle between amortizing and reinvesting CLOs; rated and index

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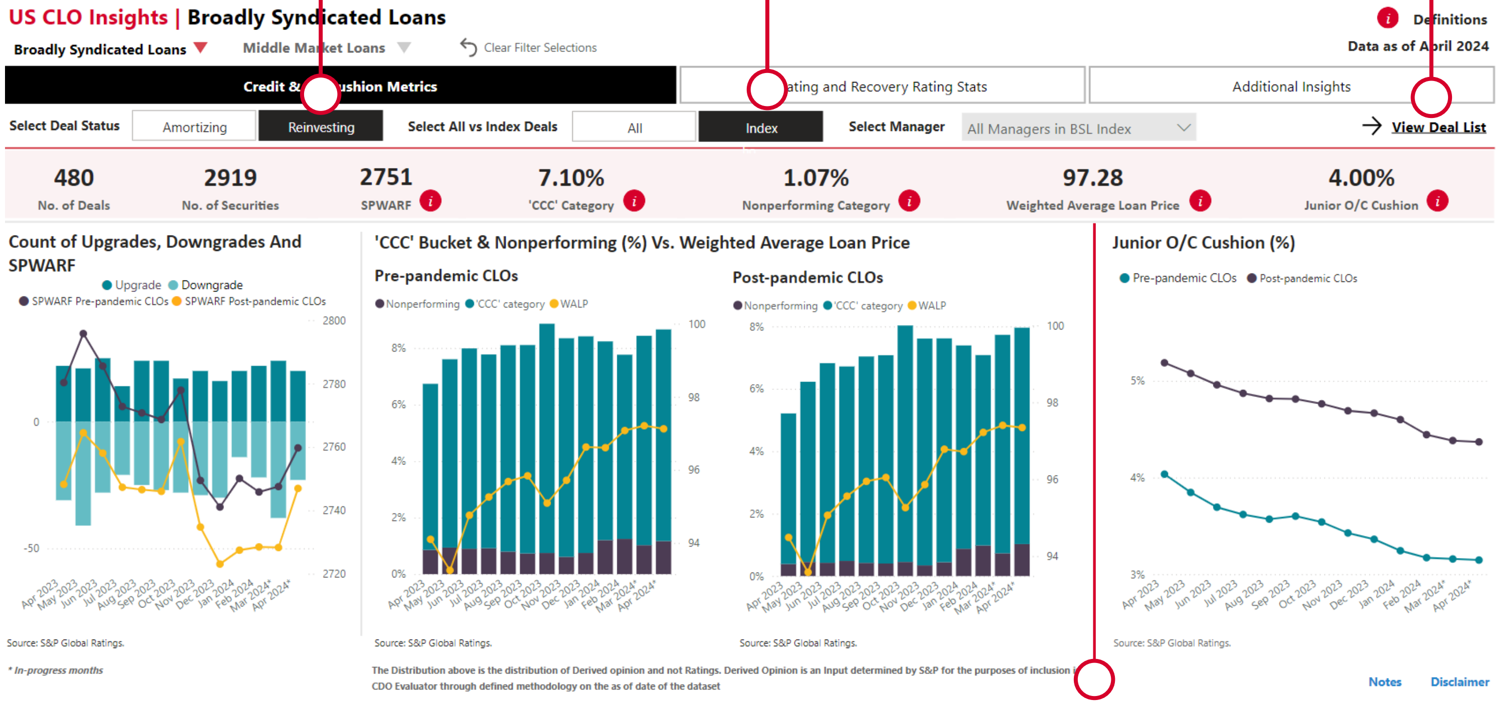

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Source: S&P Global Ratings.

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- View Deal List function enables creation of custom deal lists which can be downloaded into Excel or PowerPoint.

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