T. Rowe Price | OHA OAK HILL ADVISORS

Credit Market Observations

Spring 2024

Summary

Market Backdrop

Investor anticipation of a soft-landing as the Federal Reserve eases its restrictive monetary policy, coupled with robust technicals, are creating a strong market for credit assets in 2024

U.S. High Yield

High yield evolved into a higher quality market, yet there is meaningful underlying dispersion within the asset class which may create opportunities for managers with strong credit selection capabilities

U.S. Leveraged Loans

Leveraged loans offer historically high absolute yields and attractive spreads with downside protection from seniority in the capital structure, but investors must also be mindful of dispersion within the asset class

U.S. CLOs

CLOs offer a compelling opportunity set across debt and equity in a resilient structure which has historically experienced low default rates and are designed to deliver substantial cash distributions

U.S. Private Credit

Deployment is expected to accelerate in the large cap market with pent-up sponsor M&A activity, looming maturities and private equity dry powder expanding demand for private solutions over time

U.S. Distressed & Special Situations

Idiosyncratic opportunities may arise in North America as borrowers face pressure from higher interest rates and capital structures designed in an era of near-zero interest rates

European Credit

Structural features of Europe’s capital markets should create opportunities for lenders across the alternative credit spectrum in both junior and senior capital solutions

Market Backdrop

Interest Rates - Higher for Longer

Markets had a strong start in 2024. Investor optimism, predicated on a benign economic outlook, has largely prevailed over continued risks to corporate and consumer fundamentals. Strong GDP growth and healthy earnings, despite sustained inflation and higher interest rates, have been a tailwind for risk assets.[1] Despite signs of cooling in late 2023, more recent inflation data and Federal Reserve commentary suggest monetary policy will remain more restrictive. As shown in Figure 1, the market quickly readjusted its interest rate expectations during the first quarter. The current higher for longer outlook reinforces the prospect of interest rate volatility as the market anticipates changes in the Federal Reserve's posture over time.

However, overall market appreciation across risk assets belies uneven performance within asset classes. The equity markets are highly representative of this dynamic with strong market returns driven by concentrated gains in higher-growth mega-cap companies and select investment themes, particularly adoption of artificial intelligence, as shown in Figure 2.

Fig 1: Anticipated 2024 Rate Cuts[2]

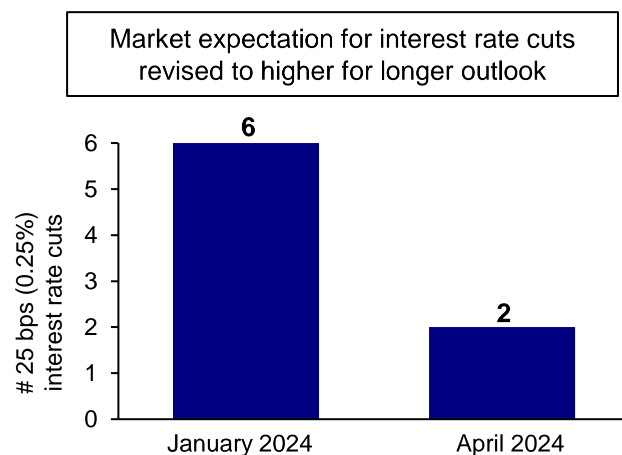
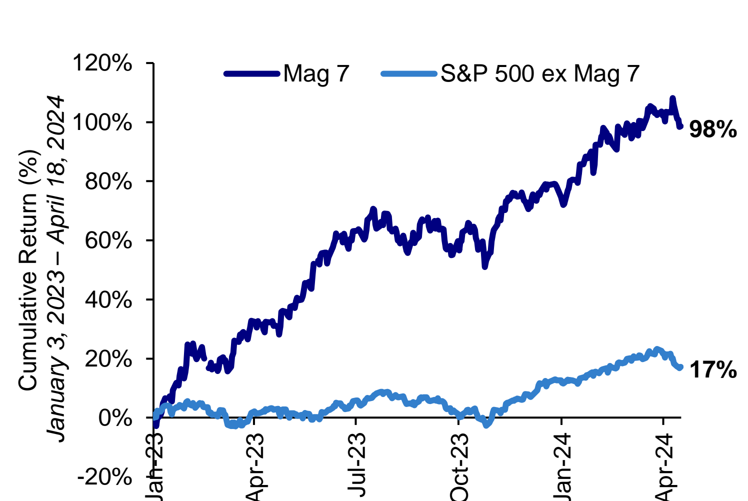


Fig 2: S&P 493 vs. Magnificent 7[3]



Sunshine or Storm Clouds Ahead?

Beyond U.S. economic, inflation and interest rate considerations, a range of political and geopolitical risks also have potential to disrupt the current market balance, from the uncertain outcome of the U.S. presidential election, to heightened unrest in the Middle East and continued weakness in China. While a hard-landing case has become less likely, the range of no-landing to soft-landing scenarios is wide and challenging to forecast. The implications for consumers, companies and markets are broad across these outcomes. These dynamics are driving an overarching theme in credit markets – dispersion.

Beneath the surface of general market strength, there is discrimination in pricing based on quality, complexity and liquidity. This discrimination reflects a wider range of investor expectations for individual sectors and companies to navigate lingering economic uncertainties. OHA believes the current market offers nimble investors with deep credit expertise an attractive environment to distinguish opportunity from risk and generate alpha across the risk / reward spectrum.[4]

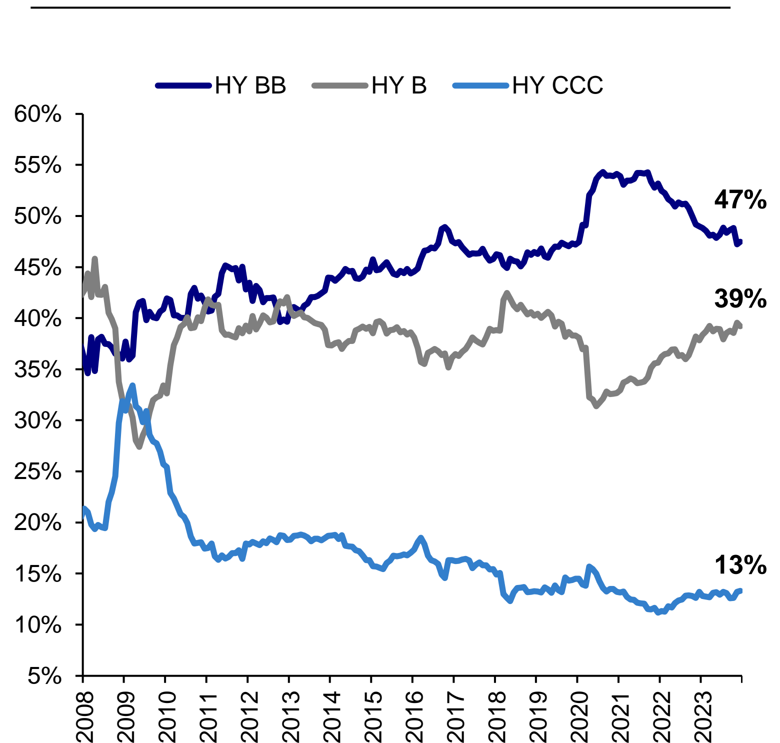
With this backdrop, we review the current environment and outlook across the markets impacting OHA's credit strategies – U.S. liquid, structured, private, distressed and European – in this paper. While these strategies pursue a range of risk / reward objectives, they are highly interconnected and complementary in nature. Further, though the nature of the opportunity set evolves through different markets, OHA seeks to employ a consistent set of investment principles predicated on rigorous bottom-up due diligence and a focus on downside protection across these strategies. This process helps enable OHA to seek to capitalize on the most compelling absolute and relative value investments.

Liquid Credit: U.S. High Yield Bonds

High Yield Has Become Higher Quality

The high yield market has meaningfully improved in quality since the Global Financial Crisis (GFC). The ratings profile of the market, as represented by the ICE BofA U.S. High Yield Index, has consistently trended upward toward more BB and B rated bonds and less CCC, as shown in Figure 3.[5] As of December 31, 2023, BB rated bonds comprise approximately 47% of the index, compared with 35% following the GFC.[5] This change is largely attributable to the COVID pandemic, when a wave of lower quality BBB rated investment grade issuers (known as fallen angels) fell into the high yield index while the lowest quality high yield issuers defaulted and fell out. Despite credit spreads reaching their lowest level since December of 2021, OHA believes this evolution makes high yield a compelling investment at current interest rates with attractive yields relative to credit quality.[6] In the event of a potential downturn, high yield may be better positioned to withstand economic stress than ever before.

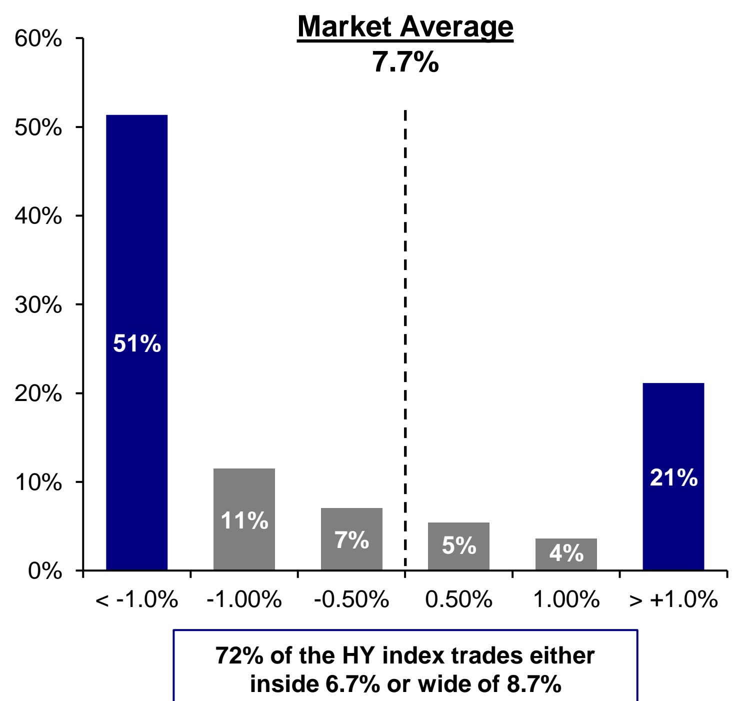
Fig. 3: Rating Distribution of High Yield Index[5]
(2008-2023)



"Underneath the Hood" of High Yield

As shown on the right in Figure 4, the current distribution of yields in the ICE BofA U.S. High Yield Index highlights the dispersion across issuers as 72% of the index yields below 6.7% or above 8.7% compared to the market average of 7.7%.[7] This wide distribution of yields makes it difficult for managers to replicate the yield of the benchmark or outperform the index without reaching into lower quality credit. OHA believes that in this type of market environment credit selection becomes paramount and managers that can select strong credits with positive underlying catalysts have a compelling opportunity to generate total returns that outperform the index yield.

Fig. 4: Current Yield Distribution of High Yield[7]

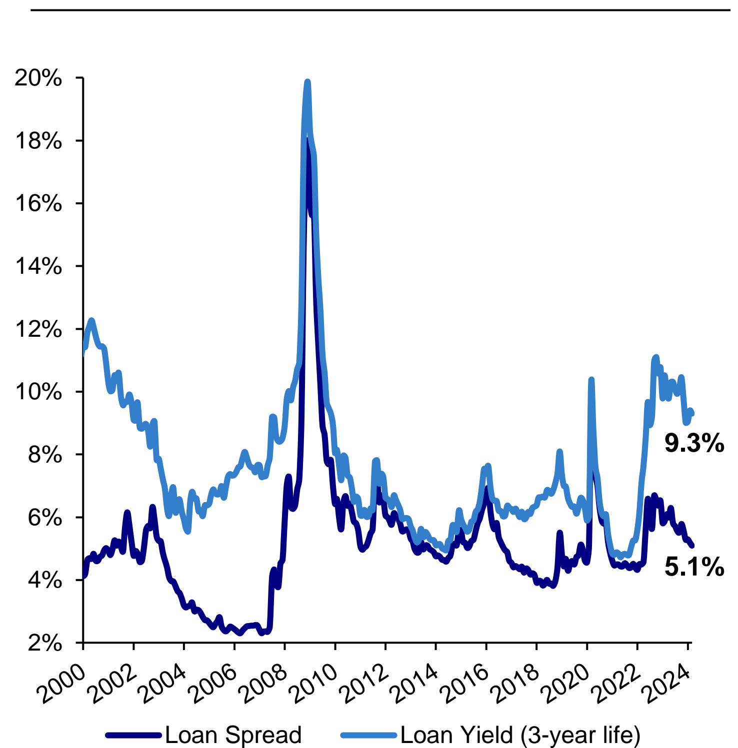


Liquid Credit: U.S. Leveraged Loans

Leveraged Loan Yields at Attractive Levels

Secondary market yields for leveraged loans, also known as broadly syndicated loans (BSLs), remain near post-GFC highs driven by elevated base rates and attractive spreads. As shown in Figure 5 on the right, the average leveraged loan three-year yield is 9.3% compared to a historical average of 7.9%. The floating nature of leveraged loan coupons has largely insulated the asset class from the fastest U.S. rate hike cycle since the 1980s. Starting in 2022, the Federal Reserve raised interest rates to a target range of 5.25% to 5.50% as of April 2024. Even after tightening with a more constructive economic outlook in recent quarters, loan spreads are still above historical averages at 5.1%. This environment creates an attractive opportunity to earn some of the highest yields since the GFC for senior secured risk at the top of the capital structure with significant equity cushions. With the uncertain timing of disinflation and potential interest rate cuts, OHA believes leveraged loans remain an attractive source of absolute and relative value.

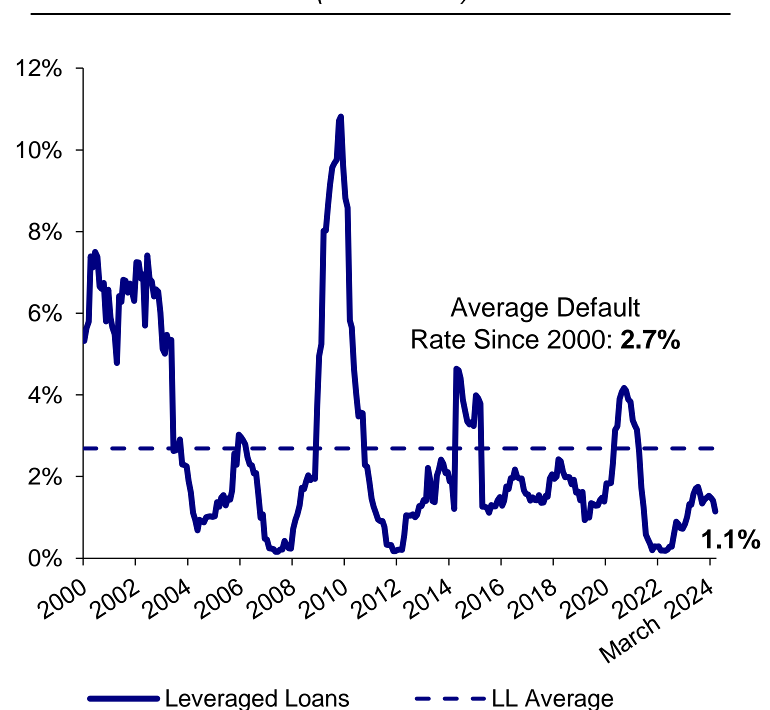
Fig. 5: Secondary Market Leveraged Loan Spread and Yield[8]
(2000-2024)



Leveraged Loan Defaults Well Below Average

In addition to historically high yields, leveraged loans also have exhibited low defaults. As shown by Figure 6, leveraged loan default rates are at 1.1% as of March 31, 2024, less than half the historical average 2.7%. However, J.P. Morgan forecasts defaults will increase in 2024 to 3.3% as borrowers with capital structures designed in a near-zero interest rate environment face higher debt costs.[9] OHA believes this outlook will support dispersion throughout the leveraged loan market. In our view, these conditions are conducive to alpha-generation by managers with deep expertise, rigorous underwriting, disciplined credit selection and active portfolio management.

Fig. 6: Leveraged Loan Default Rate[10]
(2000-2024)

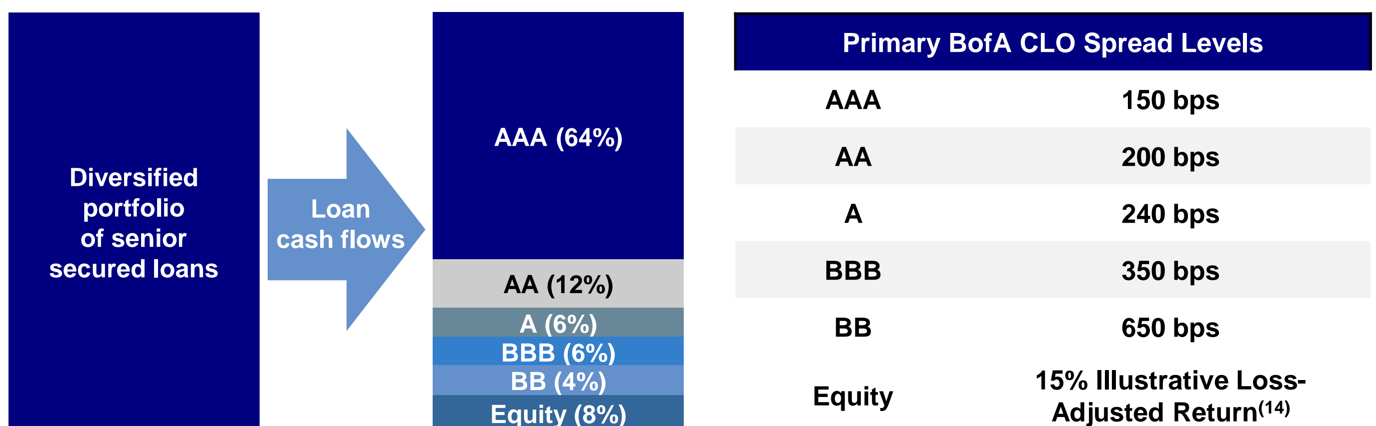


Structured Products: U.S. CLOs

Importance of CLOs

U.S. Collateralized Loan Obligations (CLOs) have grown into a nearly $900 B market which is foundational to leveraged finance.[11] At the end of 2023, CLO demand accounts for ~70% of U.S. broadly syndicated loan issuance.[12] The functioning of the CLO market is critically important to almost all aspects of the leveraged finance industry. CLO activity drives technicals and demand for BSLs and establishes pricing for a range of rated credit risk instruments that helps investors assess relative value among the credit markets. A CLO is a structured product that issues rated debt securities and equity to finance construction of an actively managed diversified portfolio of senior secured BSLs over a defined investment period. As shown in Figure 7, this capital structure offers investors a range of risk and return profiles reflecting payment priorities in the portfolio's cash flows. Cash flows remaining after interest is paid to CLO debt holders flow to the equity owners and create an "arbitrage" which may offer attractive returns with high current income to CLO equity investors over a CLO's life. The CLO debt tranches may also offer attractive value relative to comparable corporate credit risk profiles. As shown in Figure 8, historically CLO debt issuances have experienced *de minimis* defaults which are a small fraction of defaults compared to corporate credit with the same rating. CLO instruments also trade in the secondary market creating potential investment opportunities.

Fig. 7: Illustrative U.S. CLO Capital Structure[13]

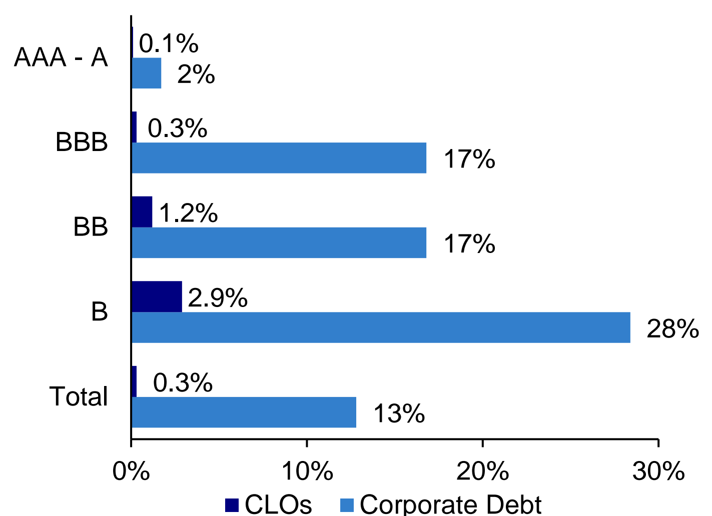


Primary BofA CLO Spread Levels	
AAA	150 bps
AA	200 bps
A	240 bps
BBB	350 bps
BB	650 bps
Equity	15% Illustrative Loss-Adjusted Return[14]

CLOs Drive Syndicated Loan Demand and Create Opportunities for Investors

The creation of new CLOs is highly dynamic and dependent on the attractiveness of the equity arbitrage at any time. In today's market, spreads have compressed leading to lower cost of CLO debt which is supportive of CLO creation. CLO new issuance totaled $116 B in 2023 and is projected to increase in 2024.[15] Market dislocations can create episodic secondary market opportunities in CLO equity and debt instruments at attractive entry points. As the CLO asset class has grown, the proliferation of CLO managers and securities reinforces the importance of credit selection, portfolio management and a deep understanding of market dynamics to seek to generate alpha.

Fig. 8: Cumulative Default Rates by Rating[16]
1994 to 2023



U.S. Private Credit

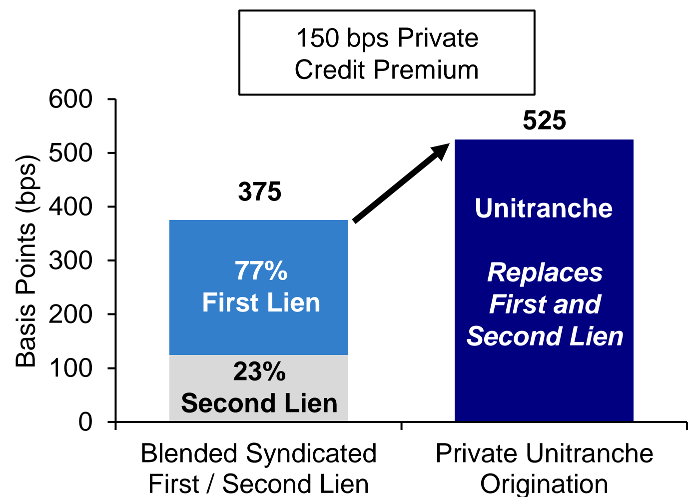
OHA Believes Private Credit Offers Highly Attractive Absolute and Relative Returns

As shown in Figure 9 below, OHA believes private credit spreads and yields remain highly attractive where investors have the opportunity to earn double-digit yields in large cap senior private lending. OHA typically defines large cap private credit as lending to companies with cash flow greater than $75 million annually.(17) Yields achievable for senior private lending today rival historical equity market returns, while benefiting from 50%+ equity cushions. OHA believes private credit offers investors a premium over liquid credit to compensate principally for illiquidity. This “illiquidity premium” is dynamic but over time represents approximately 100 to 250 basis points (1.0% - 2.5%) over a comparable syndicated credit, as shown in the illustrative analysis in Figure 10. Private lending also offers an opportunity to generate alpha beyond this illiquidity premium through credit selection. Even accounting for an eventual rate cutting cycle, OHA believes the returns offered in private credit remain attractive and there are opportunities to enhance potential returns with a prudent level of leverage.

Fig. 9: Illustrative New Issue Comparison: Liquid vs. Private Credit(18)

	Private Credit	Leveraged Loans
Spread	500-550 bps	325-375 bps
OID	1.0% - 2.0%	0.0% - 1.0%
SOFR / Floor	5.30% / 0.75%	5.30% / 0.0%
Illustrative Yield	10.0% - 11.0%	8.0% - 9.0%

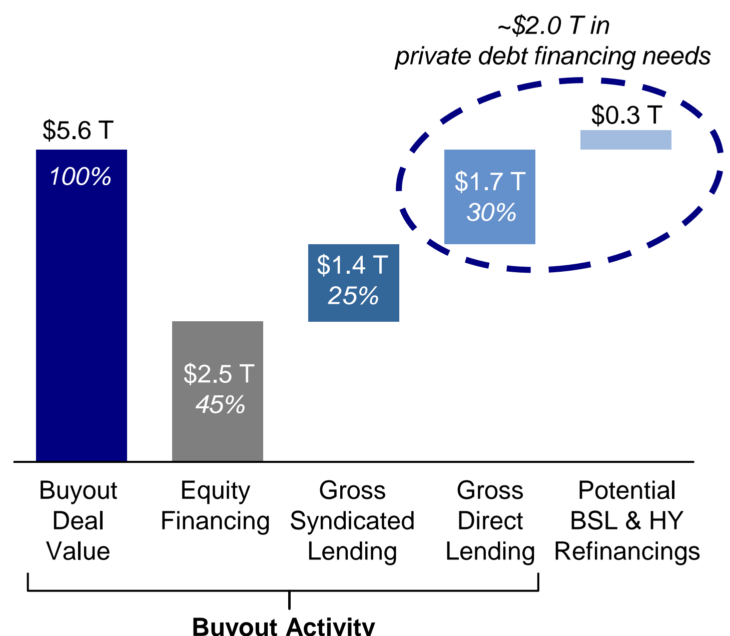
Fig. 10: Illustrative Spread Comparison: Liquid vs. Private Credit(19)



OHA Believes Private Credit Deployment May Grow Significantly Due to Borrower Demand

In 2023, M&A volumes were at ten-year lows as higher interest rates and economic uncertainty caused buyer and seller valuation expectations to diverge, contributing to measured deployment across both private equity and private lending.(20) OHA believes private lending will continue to grow over the coming years as larger companies increasingly access the advantages of private financing solutions not available in syndicated markets. These benefits include greater customization, certainty of execution, confidentiality, partnership with fewer lenders and access to financing through volatile markets. As shown in Figure 11, there is $2.0 T of gross direct lending projected for the next four years, including $1.7 T for financing sponsor buyout activity and $0.3 T of incremental refinancing needs from just BSL and high yield maturities alone. This $2.0 T potential supply compares to approximately $1.0 T in current private lending AUM, which would need to expand significantly to meet projected financing needs.(21)

Fig 11: Private Lending Needs 2024 - 2027(22)

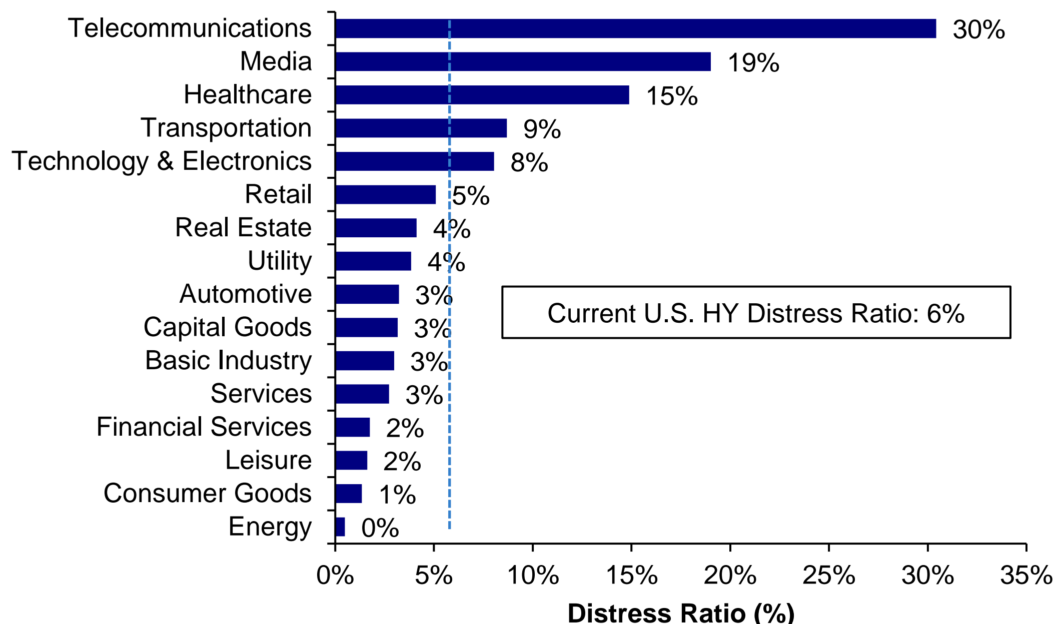


U.S. Distressed & Special Situations

Higher Rates Create Opportunities for Flexible Lenders

While higher interest rates may increase returns for credit investors, they also create additional pressures on borrowers through higher interest expense. The Federal Reserve's rate hikes in 2022-2023 have increased the interest expense for borrowers which may create scenarios where a company goes from free cash flow positive at the time of debt issuance to cash flow breakeven. If the company experiences any contraction in earnings, its cash flow becomes negative putting the company at heightened risk of default. While the U.S. economy has remained resilient through this interest rate hiking cycle and the current U.S. high yield (HY) distress ratio, the portion of the U.S. high yield index trading at a spread greater than 1,000 bps, is currently at a benign 6%, there is significant dispersion by industry. As shown in Figure 12 below, there is elevated distressed activity across the telecom, media and healthcare industries. Outside of these corporate sectors, OHA believes that there is also heightened stress across the commercial real estate, banking, shipping and aviation industries.

Fig. 12: U.S. HY Distress Ratio by Industry[23]
April 2024



OHA believes these dynamics create an attractive opportunity for flexible lenders to provide the following solutions to stressed and distressed borrowers while providing lenders the opportunity to secure attractive terms, loan protections and economics with emphasis on downside protection.

Rescue Financing: Borrowers likely declare bankruptcy for one of two reasons. 1) They lack sufficient cash flow to pay their bills. 2) They face an upcoming debt maturity and are unable to refinance their capital structure. Borrowers in these scenarios may seek junior capital solutions to work through cash flow issues or to bridge through upcoming maturities.

Secondary Markets: High levels of dispersion within the distressed market, as shown above, reflect potential pockets of opportunity in certain industries. Select borrowers may offer opportunistic scenarios for flexible lenders to step in and provide liquidity solutions.

Special Situations: In addition to idiosyncratic pockets of distressed, many non-corporate sectors, including banking, commercial real estate, shipping and infrastructure may experience abnormal pressures from temporary events and macroeconomic forces outside of their control. These situations create opportunities for alternative lenders, like OHA, to provide capital solutions while traditional capital markets may not be able to underwrite the complete story.

European Credit

European Credit: Structural Factors Leading to a Multi-Faceted Opportunity Set

Capital markets in Europe lack the scale and sophistication of the U.S. with 75% of financing provided by banks, compared to 25% in the U.S.[24] Typically, only the highest quality borrowers have access to financing, leaving many family-owned businesses with limited options. Additionally, European banks continue to face increasing regulatory pressures and capital requirements following the GFC, which is increasing an already significant funding gap. OHA expects continued bank retrenchment to offer attractive investment opportunities for non-bank lenders to fill this lending void, as banks clean up their balance sheets and exit certain non-corporate sectors altogether (i.e. shipping, real estate and infrastructure).

Moreover, Europe has faced significant macro challenges since the GFC. Countries such as Italy, Germany, Spain, the UK and others across the Eurozone have experienced low GDP growth, high inflation and weak demand for manufacturing exports — in particular to China. In addition, the European high yield and leveraged loan market faces a record 3-year maturity wall, the highest since the GFC, shown in Figure 13. Given the elevated interest rate environment, many borrowers will need to address their capital structures and will not have access to capital markets to do so. Finally, Europe faces many geopolitical uncertainties and complexities that investors need to carefully navigate, including ongoing conflicts in Russia/Ukraine and Israel/Gaza, which have potential domino effects on European supply chains, government spending and consumer confidence levels.

Fig. 13: 3-Year Maturity Wall vs. Historical Periods[25]

As a result of these factors, OHA believes the European market opportunity is broad-based across three main strategies, summarized below.

Junior and Hybrid Capital Solutions: As banks retrench, there is an opportunity to provide customized capital solutions to corporates without access to capital. Customized private solutions can reduce cash pay debt, while giving companies flexibility to pursue growth, M&A, capital expenditures (capex) and other accretive strategies.

Senior Direct Lending: As banks try to optimize their balance sheets and adhere to strict capital requirements, they are exiting non-core businesses and assets. This financing void creates opportunities for direct lenders to provide capital.

Secondary Market: If borrowers are unable to navigate the looming maturity wall, there may be a widespread distressed environment in the secondary market, including liability management exercises that take advantage of weak credit documentation.

Appendix and Endnotes

1) GDP defined as gross domestic product.
2) As of March 31, 2024. Sources: Bloomberg, BofA.
3) Alpha defined as the excess return of an investment relative to the return of a benchmark index.
4) Source: Bloomberg as of April 2024. Magnificent 7 (Mag 7) represented by Microsoft, Apple, Nvidia, Alphabet, Amazon, Meta, and Tesla.
5) As of December 31, 2023. Past performance is not indicative of future results. BB-rated high yield represents the ICE BofA BB US High Yield Index, B-rated high yield represents the ICE BofA B US High Yield Index, CCC-rated high yield represents the ICE BofA CCC & Lower US High Yield Index.
6) Source: ICE BofA U.S. High Yield Index as of March 31, 2024.
7) Source: ICE BofA U.S. High Yield Index as of December 31, 2023. Totals may not add due to rounding.
8) Source: Credit Suisse Loan Index as of March 31, 2024. Past performance is not indicative of future results.
9) Source: J.P. Morgan Default Monitor as of March 31, 2024.
10) As of March 31, 2024. Past performance is not indicative of future results. Shows monthly U.S. leveraged loan default rates of the Morningstar LSTA US Leveraged Loan Index, calculated as a percentage of total outstanding on an LTM basis.
11) Source: BofA Global Research as of March 31, 2024.
12) PitchBook LCD Quarterly Leveraged Lending Review, as of December 31, 2023. Due to a significant decline in loan issuance in the last 12 months, LCD did not track enough observations to compile meaningful averages for investor analysis for 2023.
13) Source: OHA analysis and market observations as of March 31, 2024. The information presented herein is shown for illustrative purposes only. It does not reflect the actual returns of any portfolio/strategy and does not guarantee future results.
14) OHA analysis as of March 31, 2024. The illustrative net CLO equity returns highlighted herein are reflective of OHA's recent market observations and are not actual or hypothetical performance of any OHA investment or portfolio and therefore are not reflective of any OHA investor's experience, not reflective of any fees an OHA investor has paid or would pay, and not intended to imply that these market trends or conditions will continue.
15) Source: S&P LCD Research, data as of February 29, 2024.
16) Source: S&P LCD Research as of April 1, 2023.
17) Cash flow defined as earnings before interest, taxes, depreciation and amortization (EBITDA).
18) OHA analysis as of March 31, 2024. The illustrative asset yields highlighted herein are reflective of OHA's recent market observations and are not actual or hypothetical performance of any OHA investment or portfolio and therefore are not reflective of any OHA investor's experience, not reflective of any fees an OHA investor has paid or would pay, and not intended to imply that these market trends or conditions will continue. OID defined as original issue discount. SOFR defined as secured overnight financing rate.
19) Reflects OHA's views of the private credit market as of December 31, 2023. Oak Hill Advisors, L.P. is providing you with a confidential model which is proprietary and should not be replicated and/or redistributed. The model portrays unitranche margin but is for illustrative and discussion purposes only. Reflects OHA analysis based on market pricing data. Analysis calculates the implied unitranche spread premium using as inputs for syndicated first lien and second lien margins. Assumes unitranche margin of 525 bps and same OID across all tranches. Assumes 5x first lien leverage (77% of total debt) and another 1.5x second lien leverage (23% of total debt). While the model has prepared by OHA on the basis of estimates and assumptions about the market believed to be reasonable, it does not warrant its accuracy or make any representations that it is fit for your purposes. The estimates, assumptions and hypothetical figures shown in the model are inherently subject to economic, market and other uncertainties and should not be relied upon as facts. The results presented in the model would differ if different estimates and assumptions had been used. While OHA believes the model is reasonably illustrative of the calculations presented, it is inherently limited in scope and does not purport to illustrate every part or nuance of such calculations, nor does it reflect all possible scenarios that may occur. This is not intended to be a prediction of performance. Actual results will be different than those reflected in the model. Additional information is available upon request.
20) Source: Bain Global M&A Report 2024.
21) Source: Preqin, Goldman Sachs Investment Research as of December 31, 2023.
22) Source: Goldman Sachs Investment Research, Preqin, PitchBook LCD as of January 2, 2024. Totals may not add due to rounding.
23) Source: Bank of America Merrill Lynch. Shows par-weighted U.S. default rate. Shows option adjusted spread of the ICE BofA U.S. High Yield Index and the ICE BofA Euro High Yield Index. The Distress Ratio is the ratio of the number of U.S. domiciled bonds in ICE BofA U.S. High Yield Index with option-adjusted spreads greater than 1,000 basis points to the total number of U.S. domiciled bonds in ICE BofA U.S. High Yield Index as published by Bank of America Merrill Lynch.
24) Source: Deutsche Bank, Bloomberg, ECB, Federal Reserve as of December 31, 2023.
25) As of December 31, 2023. Source: S&P European Leveraged Loan Index for European Leveraged Loan 0-3 year maturity wall at year-end since 2007. BAML for European High Yield 0-3 year maturity wall at year-end from 2007 to 2022. ICE BofA European Currency Fixed & Floating Rate Non-Financial High Yield Index (H9PC Index) for 2023. Maturity wall defined as the debt obligations that will come due at a distinct time period.

Index Definitions

The S&P 500 Index measures the performance of the large-cap segment of the U.S. market. Considered to be a proxy of the U.S. equity market, the index is composed of 500 constituent companies.

The ICE BofA U.S. High Yield Index tracks the performance of USD denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch), at least 18 months to final maturity at the time of issuance, at least one year remaining term to final maturity as of the rebalancing date, a fixed coupon schedule and a minimum amount outstanding of $100 million.

The Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the USD denominated leveraged loan market. Loans must fit be rated "5B" or lower. That is, the highest Moody's/S&P ratings are Baa1/BB+ or Ba1/BBB+. If unrated, the initial spread level must be a minimum spread of base rate plus 125 basis points or higher. 2) Only fully-funded term loan facilities are included. 3) The tenor must be at least one year. 4) Issuers must be domiciled in developed countries; issuers from developing countries are excluded.

The Morningstar LSTA US Leveraged Loan Index is a market-value weighted index designed to measure the performance of the US leveraged loan market. Loans must be senior secured, USD denominated, have an initial term of one year, a minimum spread of base rate plus 125 basis points, minimum initial issue size of $50 MM and syndicated in the U.S.

The ICE BofA Euro High Yield Index racks the performance of Euro denominated below investment grade corporate debt publicly issued in the euro domestic or eurobond markets. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch). Qualifying securities must have at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of Euro 100 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the eurobond and euro domestic markets), 144a securities and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index.

The S&P European Leveraged Loan Index is a market value-weighted index designed to measure the performance of the European institutional leveraged loan market. Loans must be senior secured, minimum initial term of one year, minimum initial spread of base rate plus 125 basis points and tracked by LCD.

An investor cannot invest directly in an index.

Key Risks and Disclosures

This document is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities or partnership interests. Any investor who subscribes, or proposes to subscribe, for an investment in a fund or separately managed account must be able to bear the risks involved and must meet relevant suitability requirements. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest-rate risk. As interest rates rise, bond prices generally fall. Investments in high-yield bonds involve greater risk of price volatility, illiquidity, and default than higher-rated debt securities. International investments can be riskier than U.S. investments due to the adverse effects of currency exchange rates, differences in market structure and liquidity, as well as specific country, regional, and economic developments. Some or all alternative investments may not be suitable for certain investors. No assurance can be given that a fund or separately managed account's investment objectives will be achieved. Alternative investments are speculative and involve a substantial degree of risk. Opportunities for withdrawal/redemption and transferability of interests are generally restricted, so investors may not have access to capital when it is needed. The use of leverage will magnify the potential for loss on amounts invested. The use of a single advisor applying generally similar trading programs could mean lack of diversification and, consequently, higher risk. The use of leverage and other speculative practices may increase the risk of investment loss or make investment performance volatile. In addition, the fees and expenses charged may be higher than the fees and expenses of other investment alternatives, which will reduce profits. There can be no assurance that an advisor will be able to implement its strategy or avoid incurring any losses.

Diversification cannot assure a profit or protect against loss in a declining market.

Opinions and estimates offered herein constitute the judgment of OHA as of the date this document is provided to you (unless otherwise noted) and are subject to change, as are statements about market trends. All opinions and estimates are based on assumptions, all of which are difficult to predict and many of which are beyond the control of OHA in addition, any calculations used to generate the estimates were not prepared with a view towards public disclosure or compliance with any published guidelines. In preparing this document, OHA has relied upon and assumed, without independent verification, the accuracy and completeness of all information. OHA believes that the information provided herein is reliable; however, it does not warrant its accuracy or completeness.

This document may contain, or may be deemed to contain, forward-looking statements, which are statements other than statements of historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The future of investment results of the investments described herein may vary from the results expressed in, or implied by, any forward-looking statements included in this document, possibly to a material degree.

The recipient may contact OHA at (212) 326-1500 to obtain additional information or ask questions about any information, including the methodology used for any calculations and details concerning any of the summary charts or information provided herein.

© 2024 Oak Hill Advisors. All Rights Reserved. OHA is a trademark of Oak Hill Advisors, L.P. All other trademarks shown are the property of their respective owners. Use does not imply endorsement, sponsorship, or affiliation of Oak Hill Advisors with any of the trademark owners.

Important Information

This material is provided for informational purposes only and is not intended to be investment advice or a recommendation to take any particular investment action.

The views contained herein are those of the authors as of May 2024 and are subject to change without notice; these views may differ from those of other T. Rowe Price associates.

This information is not intended to reflect a current or past recommendation concerning investments, investment strategies, or account types, advice of any kind, or a solicitation of an offer to buy or sell any securities or investment services. The opinions and commentary provided do not take into account the investment objectives or financial situation of any particular investor or class of investor. Please consider your own circumstances before making an investment decision.

Past performance is not a reliable indicator of future performance. All investments are subject to market risk, including the possible loss of principal. All charts and tables are shown for illustrative purposes only.

T. Rowe Price Investment Services, Inc. OHA is a T. Rowe Price company.

© 2024 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, and the Bighorn Sheep design are, collectively and/or apart, trademarks of T. Rowe Price Group, Inc.

202405-3548113