CEF Track Panel #1: Inflation is Over? Managing Credit Risk with the Expected Soft Landing or Recessionary Prospects

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ARIE HEIJKOOP: Good morning. As you can see, our topic in the first panel is inflation and related credit risk. By way of introduction, my name is Arie Heijkoop, I'm with Haynes and Boone law firm, in our practice we represent funds and advisors. I joined the firm a few years ago, provided my experience is in 40 Act funds, so I brought that aspect to the firm's practice. We have today Kristopher Pritchett and Chris Remington, so I'll let you give an introduction.
KRISTOPHER PRITCHETT: Hi, good morning, everyone. I'm Kristopher Pritchett, I'm a portfolio manager at Ares. Ares are a global alternative investment manager, we were founded in 1997 and have been investing ever since in the credit space predominantly. We have $464 billion under management and we invest that across five verticals is how we think about our business, we have credit, we have real assets, we have private equity, secondaries and other businesses. Other businesses houses our insurance business, where we look after capital for an insurance company called Aspida, which we like to think about as [inaudible 0:01:10], and so we think we touch a broad range of different products there. Credit is really the home, it's where we came from, it's our homebase, we have $334 billion in credit spread all the way from the private credit side direct lending through the liquid assets and into

alternative credit, so we touch a large spectrum of credit there. And ARDC, the product that we're talking about today, touches loans, bonds, and CLO tranches predominantly which sit within that credit vertical. So that's Ares, we've been around for a long time, all of those strategies are scaled businesses where we manage capital in ARDC alongside existing funds, existing partners, and so that's where we are in the product today.

CHRISTOPHER REMINGTON: And I'm Chris Remington, I'm at Eaton Vance. Eaton Vance is now part of Morgan Stanley Investment Management, which is a $1.7 trillion global asset manager. They acquired core capabilities of Eaton Vance a couple of years ago as part of an acquisition, and we are the sub-investment grade credit piece of Eaton Vance. It's a $60 billion franchise that cuts across bank loans, high-yield bonds, CLOs, and now we have private credit, which was a legacy Morgan Stanley capability. We started in 1989, so we just hit our 35th birthday in bank loans and CLOs, and we have an interval fund that just did its one year track that cuts across all of those different parts of the market, and we think a great way to invest in the space today.

ARIE HEIJKOOP: So we'll start with just inflation expectations. We're familiar with the numbers, they got high and there seemed like some instability in the market, and then last week we had a couple of pretty significant events. We had the national election which ended up not being probably as close as was popularly projected, and then a few days later we had the Fed with their interest rate decision deciding to cut another 25 basis points after previously cutting 50 basis points. So Kristopher, let's start with you, I'd like to get your thoughts about how you view these events and how they impact your inflation expectations and maybe any related credit risk.

CHRISTOPHER REMINGTON: I think you'll have to qualify which Christopher since you have two.

ARIE HEIJKOOP: You're Chris, and Kristopher is here on the end, sorry.

KRISTOPHER PRITCHETT: Yeah, I think taking a step back, if we think about the rate story, where we were in January, where we were last year, very different to what actually transpired. If you think about January, we were expecting seven, eight cuts, they were meant to be cutting a lot earlier, the Fed, and it didn't happen. We're in this higher for long environment, and I think that's been interesting because the forward curve is never right, and so yes it's nice to use as a measure and yes it does impact certain products with effective

pricing and whatnot, but if you use it as a long-term measure of where we're going it can be tough, especially environments like this where it's moving around a lot. I'm hesitant to use the word volatile, because I think that doesn't quite have the right connotations, but there's definitely a lot of movement in the forward curve and what's going on there, and so when the Fed cut in September, 50 bips, we saw the 10-year move, and we saw the 10-year kind of settle in the high twos. Today, post-election it's more the mid-threes. What happened there? What can we read into that? You could argue that the market is telling you that the new administration is going to have more inflation, but we don't really know, it's tough to say. It's early, early days in what is going to happen, who are going to be in seats is still being figured out, so I think it's difficult to read too much into the election today. But I would say at Ares we've been managing this strategy for an excess of 10 years, we've been around since 1997, we've lived through different administrations, we've lived through different rate environments, we've lived through democrats, republicans running various pockets of government, and so I think we're well positioned to continue to perform and continue to have good outcomes in this looking forward into 2025. Just to circle back on rates, I think what makes the rate environment interesting for this product in particular is because ARDC touches on loans and CLOs at a floating rate and bonds at a fixed, we can now start to move between those asset classes as this rate curve moves around and start to pivot. What we've noticed, if we look back through time and if we think about the dislocations that we've had, the pockets of movement, the pockets of volatility, we go back to the Great Financial Crisis, it was a year, two years of dislocation, maybe even more if you really could move around asset classes to find value, today dislocations are a lot shorter, sometimes even a matter of days. And so in the past as an asset allocator you could sit at the high level and you could pick your spots and you could move around and you could go in and out of funds, you could spend weeks doing due diligence, months if needed, moving capital around, now you need to be nimble, you need to be dynamic, you need to pick that spot and you need to react to the market, and proactively react to what you think's going to happen to the market. So I think today you need to be in a dynamic fund that allows you to move between those asset classes, and that's what we can do in ARDC and that's where we add value. Rather than having to allocate at a high level, we can do that day over day, month over month, as we see things change. And I think no one will agree on what path we're going to take, soft landing, hard

landing or whatnot, but I think everyone as we've seen this year agrees that there's going to be a level of uncertainty, a level of volatility that creates opportunity for us in this fund.

CHRISTOPHER REMINGTON: Yeah, so we're in the soft landing baseline, and we think credit markets cut the tails off a bit, help hedge that outlook. Growth a bit softer, unemployment a bit higher, the Fed to have one more cut this year, a couple more next year, but still very much in restrictive stance. Obviously the markets like what they're seeing so far, but it's very early. Just having the election out of the way, regardless of the outcome, the fact that it's not contested is a big thing for markets. So to have a decisive win, markets like certainty, and now it's behind, we have some certainty, we think that's good for markets and you're seeing that. At the same time, we're going to see some inflation. You would have seen that in either administration, red or blue, but the fact that we're likely to see tax cuts and a deregulatory shift is likely to mean some more inflation ahead, and credit markets are a great hedge on what we're seeing in markets today. A strategist I like to follow said something that's really not that amazing but I think pretty powerful, which is you hedge against the risks that you know about, and then you diversify the risks that you don't know about. The risks that we know about are that there's some real risk in duration positioning for investor bond portfolios, there's upside risk to yields in an inflationary environment and investors have an awful lot of exposure to fixed income, and the common denominator in that exposure is US Treasury duration. If we are in a soft landing environment and we do have the tailwinds of positive credit trends, and we think we do, the high yields and the high spreads will go a long way toward providing some equity-like returns, particularly in Ares like CLO debt tranches and bank loans, but also help diversify some of that risk in bond yields. So credit strategies kind of check both boxes, they diversify the unknown, there's a bit of unknown, particularly with things like the forward curve or maybe surprises on the macro, because we just had very high yields, but also they help on the hedging front as well with bond duration and just the concentration investors have in portfolios in your typical 60/40 type allocations. We've gotten very high yields, 10% type yields in a variety of these product areas, and that's going to go a long way to equity-like returns, but they're contractual. It's a bond, so it has a par, it has a maturity, it has a coupon. You can deliver that contractually through fixed income, and if you give me the benefit of rounding, that's about the long-term return in the stock market here in the United States. So when we look out the window, we see stocks pretty rich, we see

bond spreads in a number of sectors, investment grade, high yield pretty rich, some of these areas are spotlighting much more value for investors today.

ARIE HEIJKOOP: So as you digest the big events and maybe as you get some clarity, or at least you have better expectations, are there specific sectors that you look at? Or conversely, that you try to avoid that you really don't like in a situation like this? Chris Remington, let's start with you.

CHRISTOPHER REMINGTON: We really like CLO debt tranches in particular. This is essentially, if you're not familiar with CLOs, it's a second derivative of bank loans, it's a way to reconstitute the risk and return of the underlying collateral bank loans into different forms of risk and return for varying types of investors, and we're just seeing a lot of spread pickup opportunity in this area and investors are under-allocated to it. Investors are under-allocated to credit generally I would say, and so filling up that credit bucket, continuing to build your alts exposure makes a world of sense in this environment, and we really like CLOs. BBBs, for example, you've got spreads in the 300 basis points over base rates kind of range, that delivers a high-yield bond like yield, mid-sevens to approaching high seven type yields, but with a much higher rated stance than what you're seeing in the high-yield bond market today where spreads are sub-300. I think I saw the spread on the high HOAO is 275 as of this morning, so very tight spreads in high yield, and there's more spread potential in CLOs. And then as you go down the stack further, BBs, it gets really exciting, 600-700 basis points over base rates for low double-digit type yield potential there. And so you blend the two, you mix in some bonds, you mix in some bank loans, you can construct a dynamic credit portfolio that's very high yielding. I mentioned our interval fund earlier, Floating-Rate Opportunities Fund, the ticker on that is FROIX, it's a closed-end interval fund that has a net of fee yield a little over 10%, and it's constructed across all of those various areas, but CLO debt tranches are a core feature of the portfolio, roughly 70% of that fund is invested in BBB and BB-rated debt tranches.

KRISTOPHER PRITCHETT: I think just to dive into CLOs, it's a really interesting topic, and it's one that we've spoken about on this panel last year, it came up. ARDC has been in CLOs for a long, long time, and it's a product that's really interesting and is really getting traction now. If we think back to what is a CLO and when did it start? The CLO structures were around pre-GFC. They were different, yes, but the structure that exists today definitely has its roots back

then. I would say through the Great Financial Crisis, what happened was CLOs did pretty well, other C-something-O products, not so great. There were market value CLOs that didn't really work out, but the traditional CLO structure that we have today survived the GFC and performed very, very well. If I think back to then when we were in the market, often when we're looking to raise money at that time, call it 2010, '09, 2011, we would go to investors and we had to educate them on what a CLO is. We'd have a 101 deck that we'd pull out and we'd say, "Have your assets on one side, your liabilities on the other side, CLO tranches are great, look at their performance." It was really a right matching of assets and structure. Other structured products that didn't work in the Great Financial Crisis, you had a mismatch on structure and assets. People were like, "Oh, that's interesting, but C-something, oh, I'm scared, this doesn't feel right to me. "Then we roll forward five years and people started to get more comfortable with it, and more and more comfortable, walk into these meetings, people know what a CLO is. Today we have people coming to us saying, "I know what a CLO is, I want to give you money to invest." It's an accepted asset class, it's something growing that is more institutionalized, and to Chris' point earlier, investors are under-allocated to this space, they're under-allocated to CLOs and alts. That we can drill into later, but I would say that CLOs are under-allocated, still offer compelling relative value to other asset classes. If you think about them rating to rating compared to corporates, you get a great pickup. What's your downside? CLOs have great diversity, great downside protection, the default rate of CLOs is minimal, especially if you're in A, BBB, very, very few defaults have happened. When I say very, very few, you can count them on your hand. To put that into context, there are thousands of CLO tranches, so the default rate is very, very low. And once you do what we both do with respect to investing, when you actually look at a CLO and you're going bottom's-up and you're looking at credit and you're making the right decision, the changes of losing money on a BBB is very, very remote. Even on a BB, you're very, very remote. I will say you may see some *Bloomberg* headlines next year, or the next time we go through a credit cycle, that defaults do pick up on BBs, that's not representative of the market, there are a few deals out there that are weaker, but with the right credit selection, you can avoid them. But I would say if we're doing this panel in two, three years, the BB default rate will likely tick up, but that's not a true measure of risk, I don't think, of the market if you have the correct tools, the correct team, to invest in this. As I said at Ares, we have a scaled business, we've been doing

it since ‘07, we invest in equity all the way through AAA. In Europe, in the US, in BSL and middle market, we touch the whole CLO environment, and so by doing that we can pick the winners and we can avoid the losers on credit. And that’s what you do on credit, that’s what you do on CLO tranches, you don’t get paid to step into that risky BB, we let someone else play with that, we play with the cleaner part of the market. In ARDC we also have the ability to do equity, which is a nice diversification angle. When I say equity, that’s the most subordinate tranche in the CLO structure, and what it benefits from is the excess spread off of that structure, so we actually like equity and think the risk profile is pretty interesting because that near-term cash flow really de-risks you. When I say near-term cashflow, what do I mean? I mean 15 to 20 points a year, and so if you think about that paying out over five years, you’re getting your capital back, your risk is off the table. And so at ARDC, what we’ve been doing is we’ve been moving from debt into equity this year as the debt side of CLOs has tightened. To put some numbers around that, BBBs last year, we were buying them in the fund 500 over, today as we touched on earlier, they’re in the low 300s. BBs also in the 700-800s, today the tightest part of the market is 500, you can build a portfolio today with say around 600. If you look at it over the year, you would have been in the low sixes, but again that tightening means that now the arbitrage CLO equity, we think it’s interesting and we’ve been moving that up in ARDC. So what we can do in ARDC is also we can see rel-val between loans, bonds, and CLOs, but also within the various verticals, so in CLOs, last year was more debt focused, this year is more equity focused, and we can actively pivot to how we’re seeing the market and the dynamic that we’re seeing there.

CHRISTOPHER REMINGTON: Yeah, it’s interesting. It’s kind of like CLOs sounds like a single lane, but it’s actually a whole bunch of different lanes from the top of the stack down to equity where Kristopher’s talking about here, and up at the top, I don’t really look at this as an alternative area at all, AAAs, this has been fully democratized. At this point there’s a couple, one in particular, a very large ETF that provides the retailization to clients in this space, but down at the mezz level and in the equity space, not so much but it’s starting to come. I kind of look at the top and right down to high yield bonds and bank loans, that’s traditional fixed income, these are credit strategies in the traditional space, regular way bank loans are a great area to invest in. For example, we have a couple of closed-end funds, EFR and EFT, that have distribution payouts in the 10% range, there are times when these types of funds do trade at

discounts, and you can kind of get that double discount opportunity, this is not one of those periods of time. Bank loans are trading right around par, shares of closed-end funds are right around at parity, but you do have that very high yield, but I would put this in the traditional credit bucket, traditional fixed-income, mainstream fixed-income. And then down market as you begin to get into the mezz tranches and in the equity, I think of these as much more of an alternative structure, and you can think about those a little bit differently where you're trading off some liquidity, and that being the main feature. It's that sort of, along that slider rule of liquid versus illiquid tradeoff with the underlying, but also the product vehicle.

ARIE HEIJKOOP: So you've touched on some of the different credit products and we're talking about credit products but they're obviously quite different between loans and bonds and CLOs. You've kind of touched on some individually, how do you say comparatively are your expectations for each, and are you doing any kind of repositioning among them?

KRISTOPHER PRITCHETT: Yeah, I think when we think about the fund and we think about what we're doing today, let's take a step back and think about the credit markets. The credit markets fundamentally earnings have been good, good to constructive, I wouldn't say they've been stellar but it's a nice spot to be in credit. I think that's on the BSL, the bank loan side if you will, that's in ARDC, but also on the private credit side in the direct lending world, I think we're in a pretty nice spot for credit. Defaults are starting to come down, we're seeing rates come down which should relieve some pressure in the loan market with some of the tail risks that we're seeing, I would say that we are definitely seeing tails in the loan market and picking credit is important here. You need to have an experienced credit manager that understands credit, you can't just buy every loan out there, you need credit selection there and you need bottom's-up analysis, and that's what I think we do a really good job of at Ares. We have a large team, we have a pod structure where we have industry verticals, and the heads of these industry verticals have PM-level experience, 15-20 years, so they're essentially a mini PM looking after that sector that's then rolling up to our PMs to make credit decisions based on what the funds need to be, so we have a large, experienced team that look at credit on the loan side and the bond side. We like credit generally because as rates come down, that should relieve some pressure, feels like a good spot to be in, but rates don't feel like they're coming down as quickly as people thought a few months ago and so you're going to keep that current income on the loan side, so today on the margins loans are screening

better relative value to us. The ability to pivot is important, because where bonds are today, yes, spreads are tight, but you have convexity in that product, the bond market is generally trading in the mid-90s, you've got five points of upside there, and if we do see the rate path take a different path, then you're going to get that convexity play. I think the ability to pivot in between them is important, today I would lean slightly more towards loans, and as we touched on CLO tranches are definitely undervalued broadly speaking in the market, and equity in particular today is what we feel. So loans still constructive on the fundamentals, feels like a good spot to be in, but you need to be cognizant of the tails that are there, and you need that team, you need that deep set of resources, that scaled business to really invest in this space.

CHRISTOPHER REMINGTON: We're in the similar view. Low, middle, high, high-yield loans, CLO debt tranches in terms of the opportunity, high yield has outperformed. In the rearview mirror, we think that that outperformance is likely to not hold looking forward relative to loans, and that loans have the upper hand, just based on that current pay coupon we have 200 basis points more starting yield in bank loans over high yield bonds. Low default rate will benefit both asset classes, as Kristopher mentioned. We have short-term rates coming down, so that eats into coupon in floating-rate products like CLOs and like bank loans, but again starting from a very high level and from a credit perspective, this improves debt service metrics for issuers. If you made it through the period of 2022 and 2023 with very high inflation, very high rates, and issuers did broadly, we had very low defaults over this period, they were able to passthrough those higher input costs to their customers. They were able to manage their capital structures, they were able to have layoffs and delay projects and do other things like this, but they're active managers of their businesses and they managed very well over the course of that difficult period. And it's getting easier, we're now past the peak credit stress we think, so we'll have average defaults, 2-3% looking out over the next couple of years in these asset classes, and that should bode very well for returns because after accounting for recoveries, bank loans tend to run 60-70%, bonds a bit lower than that, you've got an awful lot of excess return left over. And then in CLOs, again, I feel like we've beat the drum here, that's where the real opportunity is, particularly in the mezz tranches.

ARIE HEIJKOOP: So we do want to open it up for questions from anybody in the audience. If you've got any questions for either of the Christopher's.

AUDIENCE QUESTION: [inaudible 0:23:29]

CHRISTOPHER REMINGTON: Well, yeah, it's a great question, and it cuts across pretty much asset classes from all parts of the capital markets. We continue to be the reserve currency of the world for now, we continue to be able to service our debt, there's strong demand for US Treasuries, but that's a big question, for how long, and what does it mean, and what if it changed? When it comes to credit strategies, we can learn from the experience of past major shocks to the system, and major financial recessions like the GFC in 2008, Covid, it was deep but short, and just look at how these areas of the market held up. I look out the window and I'd encourage you to look out the window at the stock market today, valuations have rarely been higher, we're at all-time highs in various stock markets around the world, including in the US, and bond spreads in IG and high yield and a lot of the securitized areas of the market are inside their single-digit percentile most expensive. So the markets aren't pricing for that risk, and so there's a big disconnect between that risk, that tail, and where markets are priced today, so I don't dispute that. I think in between, areas that can help, again balance those risks and offer some diversity and some hedging potential are areas like we're talking about here, there's actually hard value in bank loans. We have first-lien senior secured ownership of these companies in cases of default, so there could be some losses, but look at the GFC. Over the course of financial crisis, roundly 10-12% of the market defaulted, we recovered 70 cents or so on the dollar, you lost a third of 10%, and that's three points over three years, that's a point a year. And you were clipping 5-6% coupon a year over the course of those couple of year periods, so you kind of ended up okay even in a really bad global financial markets environment. That's not to say that's a perfect corollary to some what ifs into the future perfectly, but we do have a lot of experience managing through very deep recessions, and we think just the hard value of these companies is a significant hedge in itself. And then when it comes to rates, look, if long-term Treasury rates went from 3.5 to 4.5 to 5.5%, you're going to have bigger problems than your senior secured loan and CLO portfolio, and I think both sides of the 60/40 are going to have that weigh pretty significantly, much more than what you'll find in these markets.

KRISTOPHER PRITCHETT: Yeah, I think about loans, bonds, CLOs, what do you have there? You have downside protection, you're not taking equity risk, so you're protected there if we

do enter a period of stress and volatility caused by pretty much anything. You have that protection in there, you're not taking the levels of risk you can in other products, and today you're getting paid for that, you're getting equity-like returns like we touched on, so that's very interesting. I think also being at a broad scaled manager, we touch lots of different parts of the world that are impacted by this, we can see where trouble bubbles up in different markets. To give you a couple of examples, LDI issues last year, or sorry, two years ago, you had the gilt move in the UK with the change of view there on what they wanted to do, that caused a lot of the linked pensions to break, and so what you saw was a flood of capital needing to come out of there, those pensions sold a lot, they ended up selling a lot of CLO tranches. We saw that, we reacted to that, again we have a broad platform, we touch Europe, we touch the US. If I think about Ares, we have real estate, we have private equity, we have secondaries, we have an insurance business, we have credit going from direct lending where we're one of the largest lenders where we're getting monthly numbers on companies, so we can use this network to figure out what's going on in the market, what's going on in pockets of the market where risk is building. If I think back through Covid, what we were doing is we were having a monthly, all the senior people jump on a call across asset classes, everyone would talk about what they were seeing, we could see things move in markets before other people and react to that. To give you a sense, an example of that, direct lending, we get monthly numbers on companies, we get an insight into what's going on in markets real time. In healthcare, we saw that there was inflationary costs, we saw that hiring was getting more expensive, retaining people was more expensive, so we were able to use that information on our loan side. Loans report quarterly, loans report quarterly with a lag, 30-45 days, we were able to sell out of healthcare names, mainly 97-98 price, they traded down to 92 when the real numbers came out. I think being at Ares, being at a large scale manager, you can see the risks, you have that communication, you have that culture of collaboration, you can start to see more, you can better risk-manage your portfolios. Not necessarily just what I'm seeing in the CLO world or I'm seeing in the loan and bond space, but the broader market. And so when we do see things on the horizon that are concerns, we have lots of touchpoints, lots of information flow coming to us to be better positioned we think when we see these risks coming.

AUDIENCE QUESTION: I have a question, more CLO-specific. Obviously [inaudible 0:29:21] Going forward in ’25, what do you see? And also as another add-on to that, with equity valuations high, as you had mentioned, Chris, before the [inaudible 0:29:53] shift in the curve, with [inaudible 0:29:56] also being a major part of the underlying collateral, how do you see that playing out? If there comes a point where buying a company at a certain price and financing it at higher levels, do you see there’s more [inaudible 0:30:12] or less? [inaudible 0:30:15] reinvestment cycle, what do you see in ’25? [inaudible 0:30:20].

CHRISTOPHER REMINGTON: I’ll let Kristopher maybe talk about the reinvestment. We think there is a lot of opportunity for a pickup in M&A looking forward. The bankers have been talking about this for a couple of years now, and you’re seeing that in the financial sector. Look at the stock price of any big bank, they’ve had a big run, a lot of that is a forward-look to significant pickup in underwriting fees tied to M&A issuance. So we think there will be more opportunity, again part of that is the certainty factor of election and a likely policy, but also short-term rates coming down. Longer term rates might go up, but short-term rates coming down, and to the extent you’re financing with leveraged loans, the cost of deal making may come down. So we think there’ll be, between the regulatory framework, between lower rates at the front end, you’ll see a pickup in M&A, that’ll mean more investment opportunity that we’ve kind of been starved for. For all the CLO issuance that you’ve mentioned, our leverage loan market really hasn’t grown the last couple of years, there’s been a dearth of issuance. One thing that is kind of a cross-current with our market, we’ve talked about direct lending and private credit a bit, that will continue to be in focus in 2025, both from a flows perspective but I think also a fundamental one. From a flows perspective, we’ve seen a lot of, I think you’re all aware, a lot of dry powder in private credit strategies. They say the private credit market’s about $1.7 trillion, something like that, and that’s about equal size to the loan market and the high-yield bond market, so they’re about a third, a third, a third of leverage finance total, that dry powder is providing kind of a shadow bit for our liquid markets. And so to the extent you think about trouble that could come in loans, in a rising-default environment, we’re seeing private credit lenders take out CCC-rated leveraged loans and just relocate that risk to private credit portfolios in more a more bespoke structure that fits those troubled situations. So you know, bank loans are very well positioned, specifically for that

reason. We're going to have more opportunity with M&A, we have very high starting yields, but we have that extra out this go around that we didn't have in cycles in the past where private credit lenders were willing to move our troubled paper over to the private credit market. Maybe you want to talk about the refinancing and what that means for CLOs?

KRISTOPHER PRITCHETT: Yeah, when I think of private credit, that's a great point. If we think about what happened last year, without a private credit market you would have seen more defaults, more CCCs, I think that's pretty clear. Private credit came in and helped, and what private credit [inaudible 0:33:00] buy good companies with the wrong capital structure, and give them solutions that you can't get in the bank loan space, that you can't get in our market, and so that was a real boon I think for leveraged loans. As you read the headlines on *Bloomberg*, it will say the other thing, it will say that private credit's taking a share from leveraged loans, we don't really see it like that, we see them as complementary asset classes in the same way that lenders used to go between loans and bonds all the time. If you look back 10-15 years, you could kind of pick what funding source you'd prefer, now as private credit's grown, a lot of borrowers now have a third option, and so we just see it as an evolution as that market, it makes a lot of sense for credit and I think it's a positive for the CLO space and the leveraged loan space. If we think about what's been going on in the CLO side with respect to re-certs, CLOs we like from an equity standpoint where you have that long reinvestment period. Why is that? Because it means that the manager can manage the portfolios, they can manage risk, and they can take advantage of any dislocations we see. One of the reasons why CLOs have been so successful is you've had long-term locked up liabilities. CLO liabilities, there's no marked-to-market triggers, there's no forced liquidation, they're locked up for a reinvestment period of five years, and then after that the term on a CLO and the indenture for the debt is 12 or 15 years, and so you have no reason to forcibly repay that debt. There's no forced selling in CLOs, so you can ride through that volatility, you can ride through any hiccups that you see, and actually as managers what we see is add value and really start to drive returns in periods of dislocation. And so that's what we like about this year, we see it as a reset, and a reset of the market into longer reinvestment periods which should be good for the whole market, and we think equity in particular.

ARIE HEIJKOOP: I saw we did have another question, but unfortunately we've run out of time for this panel. I'm sure they're happy to stick around if you want to talk to 'em after this session, so please join me in thanking our panelists.

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