

Opportunistic Credit: Flexible Capital for an Evolving Market

NORTH AMERICA PRIVATE CREDIT | June 2026

Executive Summary

- **Within Private Credit, capital solutions strategies (also known as “Opportunistic Credit”) have emerged as a distinct and increasingly important sub-strategy**, addressing financing needs that cannot be fulfilled by the traditional direct lending market, while seeking to deliver higher returns and differentiated exposure.
- **Today’s opportunity is characterized less by broad-based distress and more by a favorable supply-demand backdrop for flexible capital.** Fundamentally sound companies increasingly need capital partners with the ability to operate “out of the box” and solutions to navigate a higher-rate, slower-exit environment while preserving long-term value.
- **A convergence of macro conditions, private equity dynamics, and the particular nuances of the middle market** has created what we believe is an attractive opportunity set for managers with a repeatable and scalable playbook for this strategy.
- **Structural demand factors support Opportunistic Credit over the next four years**, including ~\$460B of unsold PE middle market assets due to hit their theoretical 12-year limit and ~\$760B of middle market loans also coming due.
- **Competitive dynamics within this segment are favorable** with limited reliance on a sole channel of supply (i.e. private equity sponsors), leading to an attractive dynamic for pricing and structuring risk at the transactional level.
- **For institutional investors, Opportunistic Credit can complement an allocation to private equity and direct lending** by adding exposure to idiosyncratic credit opportunities that are less dependent on standardized lending markets or broad equity beta.

AUTHORS



DAVID MILLER
*Managing Director,
Global Head of Private
Credit & Equity*



TIM CLARKE
*Executive Director,
Head of PC&E Research*

Defining Opportunistic Credit

Historically, Opportunistic Credit was typically associated with credit strategies that could nimbly navigate between public and private credit markets. However, since the Global Financial Crisis of 2008-2009, and the subsequent emergence of Private Credit as a larger, distinct asset class, Opportunistic Credit is now closely associated with the provisioning of a range of debt and hybrid capital instruments that allow companies to execute on a variety of corporate actions.

In many cases, businesses that utilize this type of capital often have durable market positions, stabilizing or improving cash flows, and may also have private equity backing. The need for this type of capital is typically idiosyncratic rather than systemic, arising from factors such as:

- Mismatches between existing capital structures and prevailing interest rate environments
- Limited partner liquidity needs driven by delayed exits
- Strategic actions, including acquisitions, that require minimally dilutive hybrid capital
- The desire to create cash flow flexibility while maintaining operational control
- Market dislocations resulting in reduced financing access for credit-worthy companies
- Facilitating liquidity for one-off events such as: liquidity for exiting shareholders, payment of litigation claims, working capital for contracted backlogs, etc.

This distinction is central to understanding the strategy. Opportunistic Credit is not predicated on investing in distressed or impaired businesses. Rather, it seeks to provide capital to fundamentally viable companies with

temporary capital constraints. These constraints are often moments in time when traditional financing options are either unavailable, inefficient, or where incumbent lending relationships do not possess the requisite balance sheet capacity, flexibility, or structuring expertise to execute against this capital need. Opportunistic Credit is best understood as a problem-solving strategy designed to address company-specific challenges.

Additionally, unlike traditional lending strategies that rely on standardized structures, Opportunistic Credit adapts to the specific needs of each situation, often combining multiple instruments across the capital structure to address unique borrower requirements. Opportunistic Credit differs in many other important ways when compared to adjacent private market strategies (*Display 1*).

The primary use cases for opportunistic capital can be summarized as follows:

- **MONETIZATION SOLUTIONS:** Flexible structures used to facilitate liquidity events in lieu of a sale
- **STRATEGIC HYBRID CAPITAL:** Junior debt and structured equity used for strategic use cases, including M&A, as an alternative to raising more expensive equity
- **BALANCE SHEET RECAPITALIZATIONS:** Judicious use of senior and junior PIK securities to allow companies to redeploy capital in areas away from debt service
- **GROWTH CAPITAL:** Minimally dilutive capital support for PE-backed, VC-backed or “non-sponsored” companies seeking to further accelerate growth

As shown in more detail on *Display 2*, Opportunistic Credit benefits from its ability to invest across use cases and market environments, allowing managers to seek relative value across competing transaction types.

DISPLAY 1

How Opportunistic Credit differs from adjacent private market strategies

STRATEGY	TYPICAL FOCUS	PRIMARY RETURN DRIVER	HOW OPPORTUNISTIC CREDIT (OC) DIFFERS
Traditional direct lending	Senior secured loans to performing borrowers; typically PE-backed	Spread, upfront fees	OC can invest across the capital structure and address non-standard capital needs
Distressed credit	Impaired companies or securities trading at distressed levels	Purchase discount, control dynamics	OC is not dependent on systemic distress and typically targets viable companies facing temporary constraints
Private equity	Control ownership and enterprise value growth	EBITDA growth, multiple expansion, leverage	OC achieves influence through negotiated covenants, board participation, and governance rights rather than control ownership

Source: Morgan Stanley Investment Management. For illustrative purposes only.

DISPLAY 2

Opportunistic Credit transaction types

	FINANCING GOAL	INDUSTRY	ISSUER TYPE	CAPITAL SOLUTION
Company 1	Company seeking minimally dilutive capital to facilitate growth	Business Services	VC-backed private middle market company	First-Lien Debt + Warrants
Company 2	Company seeking hybrid capital to support M&A and reduce cash-pay debt	Healthcare Services	PE-backed private middle market company	Second-Lien Debt + HoldCo PIK Notes
Company 3	Company seeking minimally dilutive capital to facilitate growth	Consumer Services	VC-backed private middle market company	First-Lien Debt + Warrants
Company 4	Company seeking to reduce cash-pay debt	Transportation	PE-backed private middle market company	First-Lien Debt (all-PIK)
Company 5	Company seeking hybrid capital to support M&A	Business Services	Non-sponsored private middle market company	First-Lien Debt + Preferred Equity
Company 6	Company seeking hybrid capital to reduce cash-pay debt	Insurance Services	Publicly traded middle market company	Preferred Equity & Warrants
Company 7	Company seeking hybrid capital to provide liquidity to minority shareholders	Healthcare Services	Non-sponsored private middle market company	Convertible Equity
Company 8	Company seeking a global recapitalization and access to liquidity	Industrials	Non-sponsored private middle market company	Second-Lien Debt + Preferred Equity

Source: Morgan Stanley Investment Management. For illustrative purposes only.

From our vantage point, presented above are recent deal archetypes that illustrate the wide-ranging applicability of this investment strategy.

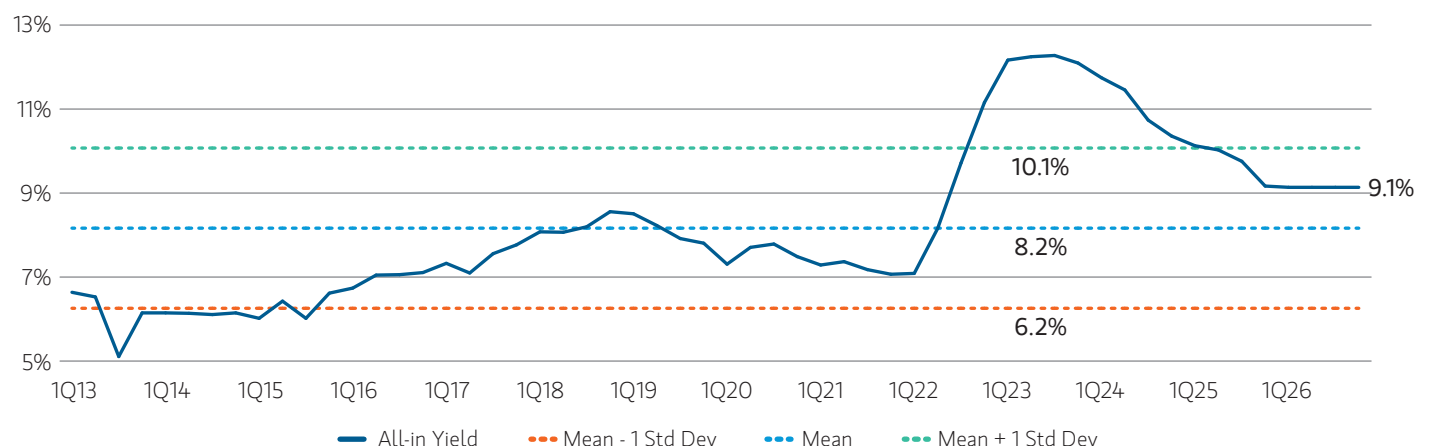
A New Macroeconomic Backdrop

The 2026 macroeconomic backdrop remains fluid, marked by persistent inflation, geopolitical tensions, evolving business models from AI adoption, and recurring event risk. Meanwhile, the prospects for additional monetary easing

are quickly fading. Even if one were to assume that rate cuts eventually resume, floating rate borrowing costs are on a path to bottom in the upper half of their 13-year range (*Display 3*). As a result, many companies continue to operate with capital structures established during a period when borrowing costs and macro volatility were both materially lower. Given this backdrop, balance sheets designed for a lower-rate, more liquid exit environment must now adapt to current market realities.

DISPLAY 3

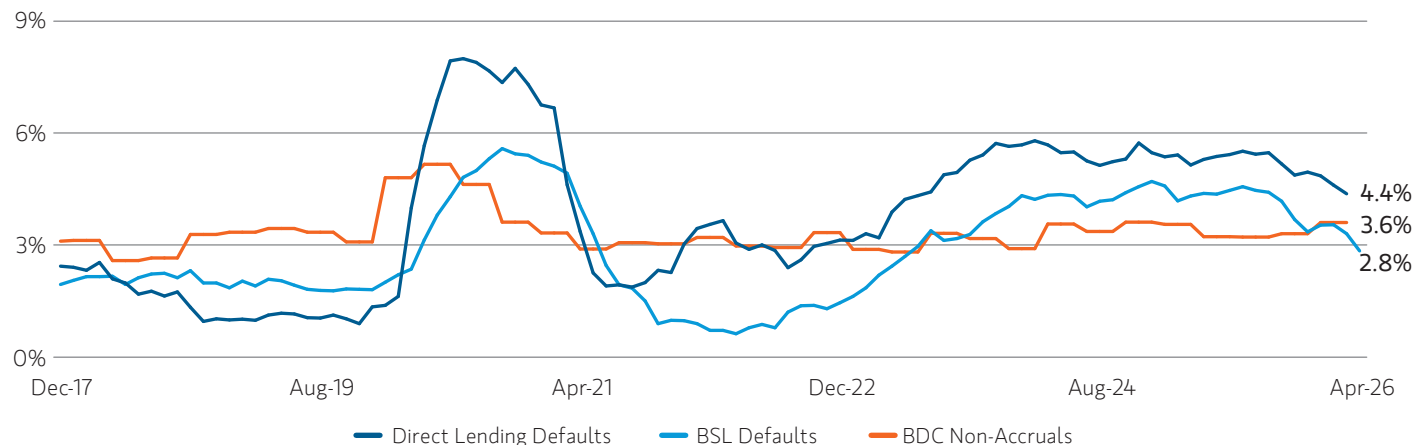
Private Credit floating-rate yields expected to stay elevated even after base rate cuts.



Source: LSEG, Morgan Stanley Investment Management. As of June 15, 2026. US only. Reflects all-in yields on directly originated first lien and unitranche loans.

DISPLAY 4

Default rates and non-accrual rates have trended flat to down in recent quarters.



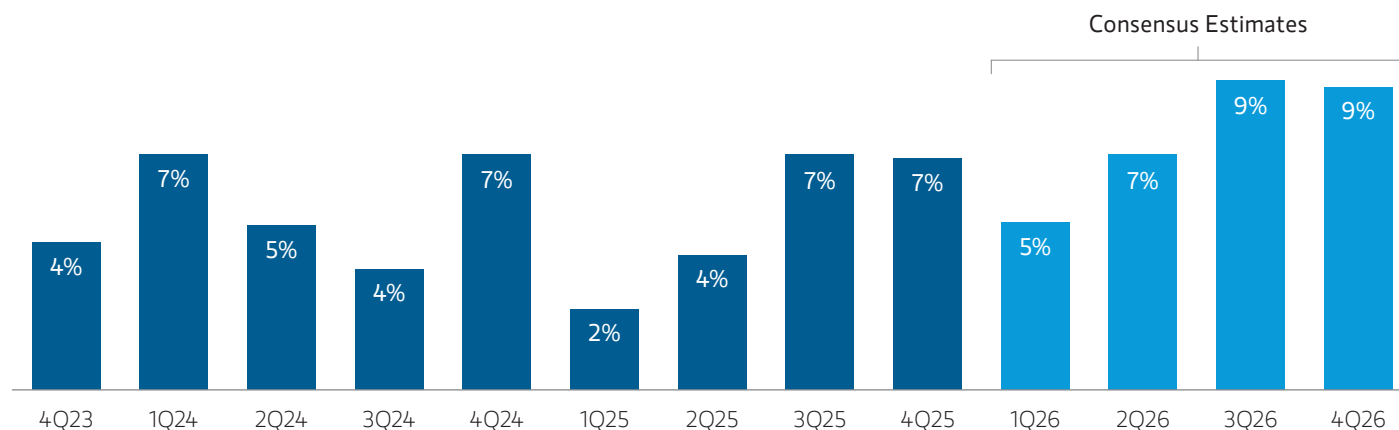
Source: PitchBook LCD, S&P Global, LSEG. US only. DL default and BDC non-accrual rates as of March 31, 2026. BSL default rates as of April 30, 2026. Non-accrual rates are for traded BDCs only to reflect seasoned loan portfolios.

At the same time, underlying corporate fundamentals have shown signs of a modest improvement. Default and non-accrual rates have trended flat to down in recent quarters, and forward expectations point to a recovery in earnings among leveraged borrowers (*Displays 4 and 5*). This combination—elevated financing costs alongside improving operating performance—has produced a cohort of companies that are not distressed, but nonetheless constrained.

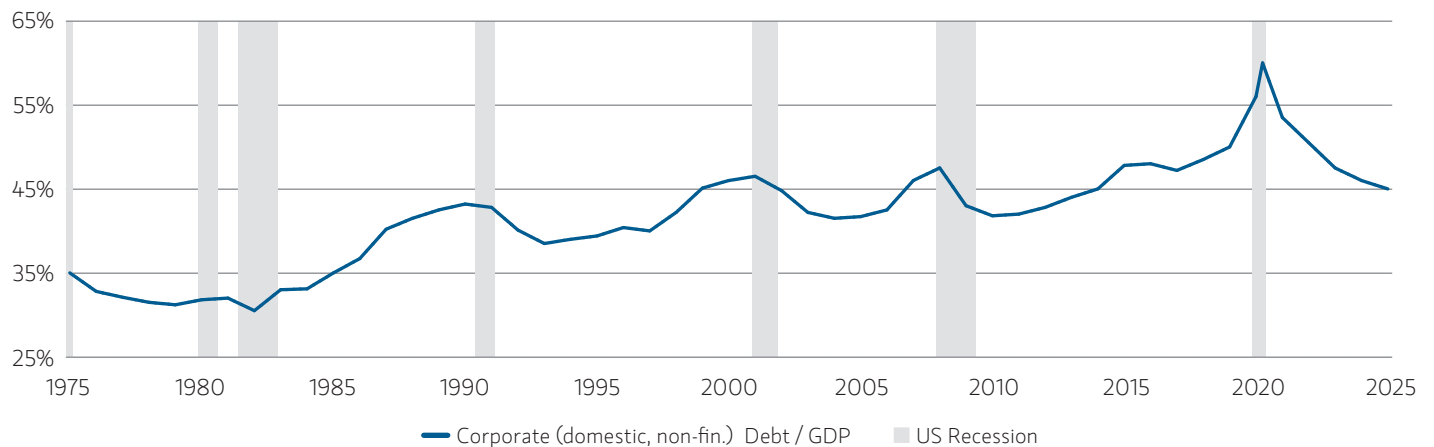
The implication is important. Unlike prior credit cycles driven by systemic deterioration, the current environment is characterized by adjustment. Many companies are not broadly failing; rather, they are adapting to a new cost of capital, often requiring tailored financing solutions to bridge the gap between legacy structures and forward-looking business plans.

DISPLAY 5

Forward looking estimates point to accelerating Y/Y EBITDA growth among leveraged borrowers.



Source: Bloomberg, PitchBook, S&P Capital IQ, Morgan Stanley Research. As of December 31, 2025.

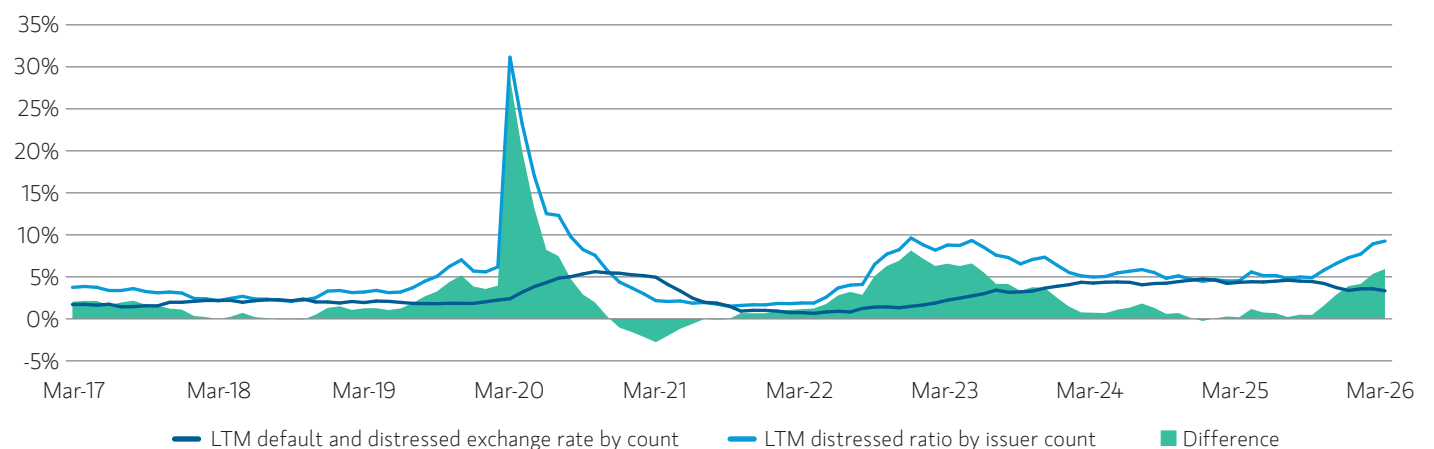
DISPLAY 6**US corporate debt relative to GDP has consistently declined since 2020.**

Source: Board of Governors of the Federal Reserve System; Note: Non-financial corporate debt only. As of March 31, 2025.

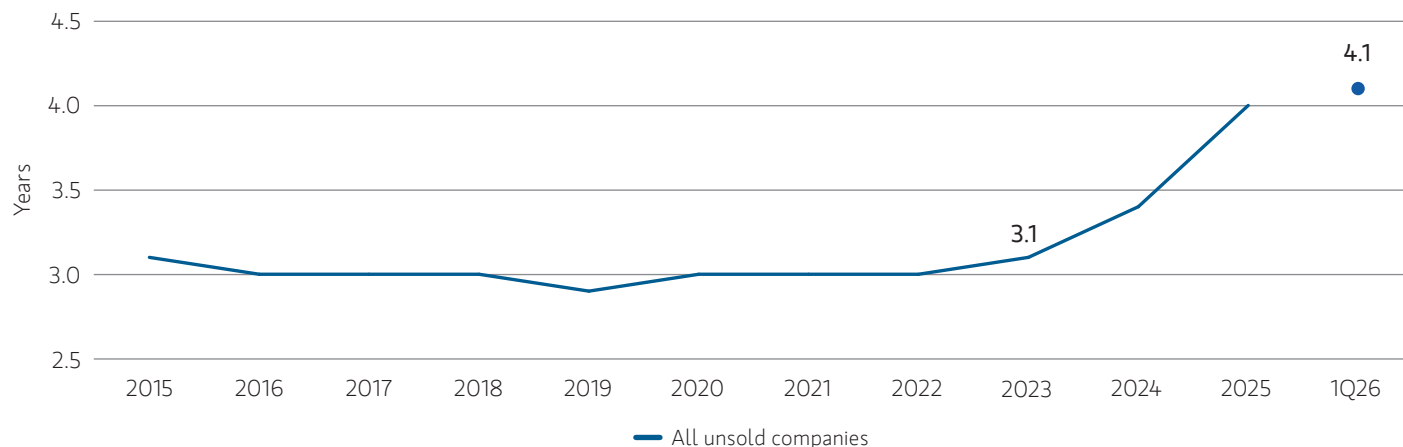
Still, progress has been slow. While US corporate balance sheets have de-levered significantly, declining to the old pre-pandemic “normal” relative to output (*Display 6*), those trends are dominated by large public companies. Beneath the surface, leverage is still stubbornly high and interest coverage uncomfortably low among indebted private companies, although gradual improvement is evident. Stress indicators present a mixed picture. Despite indications of improving operating fundamentals and fewer defaults, more loans are trading at distressed levels, signaling that credit investors are not completely convinced that the worst is behind us (*Display 7*).

In addition, headline leverage metrics may understate the degree of pressure on certain private companies. In recent years, borrower-reported EBITDA has increasingly reflected adjustments for projected synergies, cost savings, and other add-backs. To the extent those adjustments do not fully materialize, actual cash-flow leverage and interest coverage may be weaker than headline metrics suggest. This reinforces the importance of underwriting to sustainable free cash flow rather than adjusted EBITDA alone.

Stress investing has historically followed a cyclical pattern, with deployment rising during macroeconomic downturns and often moving inversely to equity markets. But sustained

DISPLAY 7**While default rates have fallen, loans trading at distressed levels in the public market have risen.**

Source: PitchBook LCD, Morgan Stanley Investment Management. As of March 31, 2026. US only. Distressed loans defined as loans trading below \$80.

DISPLAY 8**Median hold time for unsold PE-owned companies is steadily expanding.**

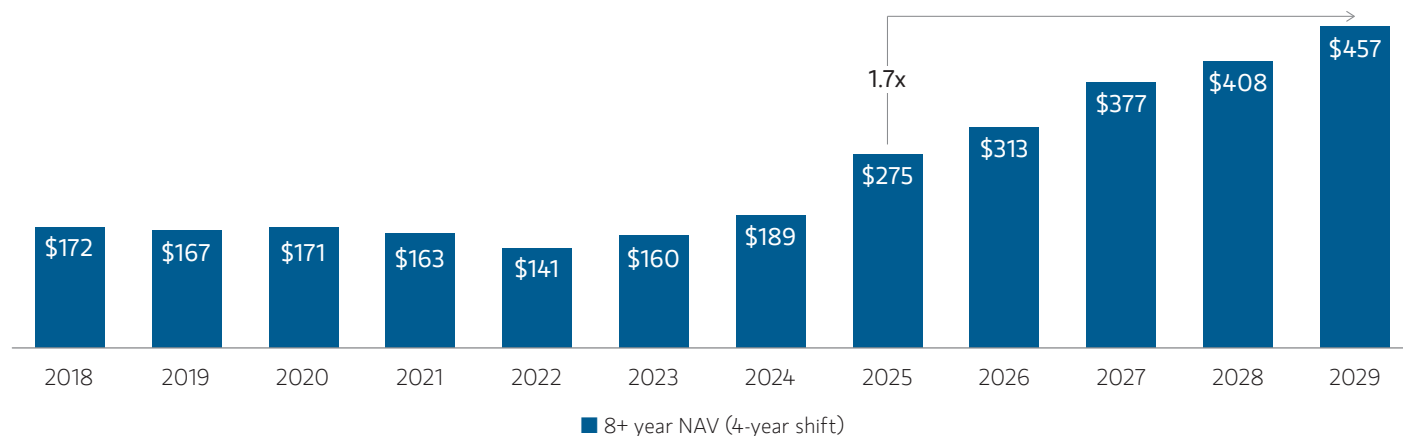
Source: PitchBook. As of March 31, 2026. US only.

downturns have been notably absent over the last 20 years, replaced by more mild cycles of expansion and contraction. These have been punctuated by short but sharp breaks triggered by geopolitical or other exogenous shocks, as has occurred repeatedly since the 2020 global pandemic, with long stretches of relative tranquility and highly functioning markets in between. Opportunistic Credit investing may be positioned to deploy capital across both environments.

New Private Equity Dynamics and Financing Needs

Developments within private equity markets have further reinforced this dynamic. Over the past decade, private equity

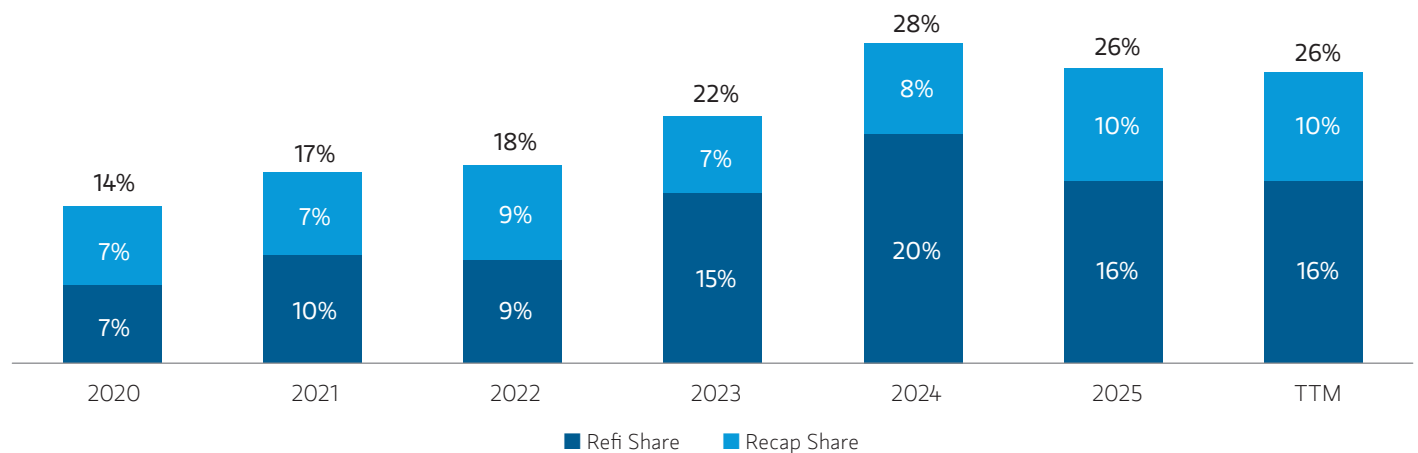
ownership in the middle market has expanded significantly, resulting in a large and growing inventory of portfolio companies. More recently, exit activity has slowed, leading to a backlog of long-tenured assets that remain unsold and holding periods that are steadily expanding (*Display 8*). The value of aging PE middle market assets that have four years or less remaining in their theoretical 12-year term, at which point most funds are required to either dissolve or seek extensions, currently stands at \$275 billion. Without full or partial monetizations, that backlog could nearly double to \$457 billion by 2029 (*Display 9*).

DISPLAY 9
Without full or partial monetizations, the value of PE middle market assets hitting their theoretical 12-year limit could nearly double by 2029.


Source: PitchBook, Morgan Stanley Investment Management. As of September 30, 2025. US only.

DISPLAY 10

Borrowers increasingly turn to Private Credit providers for refi and recap solutions.



Source: PitchBook LCD. As of March 31, 2026. Share is based on count as a percentage of total new Private Credit loans.

In response, private equity sponsors have increasingly shifted from traditional to alternative exit strategies, including recapitalizations, minority sales, partial monetization, and continuation vehicles. And while M&A is expected to further recover and broaden later this year, it can be easily sidelined by macro events as already seen in 2025 and early 2026. This combination of extended holding periods and increased pressure on achieving exits has increased both the complexity and frequency of alternative financing needs.

These needs are varied but share a common feature: they often cannot be efficiently addressed through conventional debt or equity alone. Instead, they require flexible capital solutions capable of bridging competing objectives—supporting growth while managing leverage, providing liquidity without forcing premature exits, and enabling transactions without excessive dilution.

The Rise of Hybrid Capital

In this environment, hybrid capital has become an increasingly important component of private market financing. Instruments such as junior debt and preferred equity (in its various forms) allow investors to create solutions to specific circumstances, balancing risk and return while aligning with corporate objectives. These solutions offer contractual income and structural seniority with potential equity upside, giving rise to their description as “hybrid” capital; and while historically these solutions have occupied the middle of the balance sheet, in many cases they are coupled with senior or “dollar-one” securities.

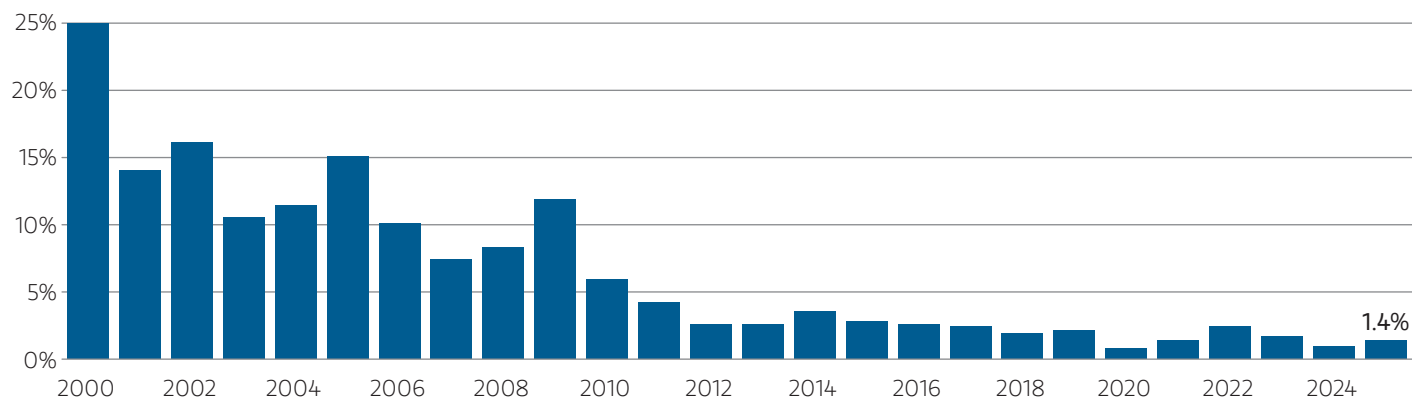
From a borrower’s perspective, these structures offer several advantages. They can reduce near-term cash interest burdens, extend maturities, and preserve equity ownership. From an investor’s standpoint, they provide access to enhanced return profiles, often supported by structural protections with highly negotiated, and often bespoke, governance and oversight rights.

Importantly, the use of hybrid capital is no longer episodic. Deployment has been consistent in recent years while spanning a wide range of use cases, including liquidity transactions, acquisition financing, balance sheet recapitalizations, and growth capital investments. Many of these financing events take place after the initial deal to acquire the company and before the exit. Increasingly, they are reflected in Private Credit’s shift from being primarily an LBO-driven funding market to one that includes more in the way of refinancings and recapitalizations (*Display 10*). This breadth underscores the extent to which hybrid instruments have become embedded in the financing toolkit of corporate borrowers and private equity sponsors.

In addition to primary capital solutions, hybrid capital can also apply in secondary or discounted debt situations where existing lenders seek liquidity, portfolio rebalancing, or risk reduction. These opportunities require careful underwriting of creditor rights, collateral value, and restructuring pathways, but can expand the available opportunity set beyond new-issue financing.

DISPLAY 11

Middle market percentage of new issue volume in the bank-led broadly syndicated loan market has all but vanished over the last 25 years.



Source: PitchBook LCD. As of December 31, 2025. Middle market defined as less than \$350 million in facility size.

The Middle Market Opportunity

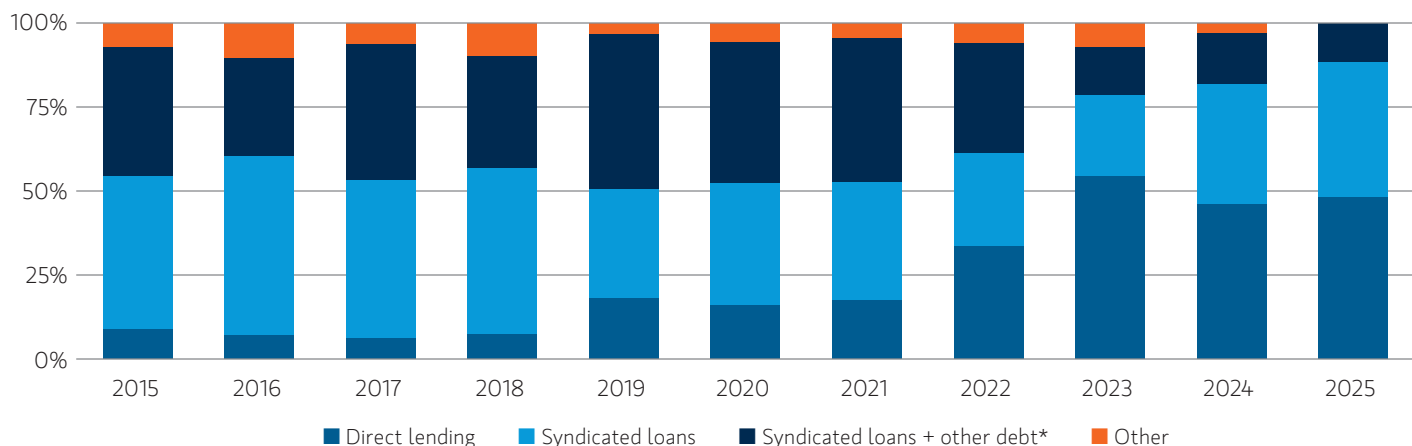
Traditional lenders to the middle market, including the bank-led broadly syndicated market and even direct lending BDCs and closed-end funds, have moved up market as they have grown larger in size or have consolidated (*Displays 11 and 12*). This has resulted in a more constrained supply of lenders to mid-sized companies, also known as the middle market, and a less competed segment.

The size and depth of the U.S. middle market has been well-documented. This segment represents a particularly

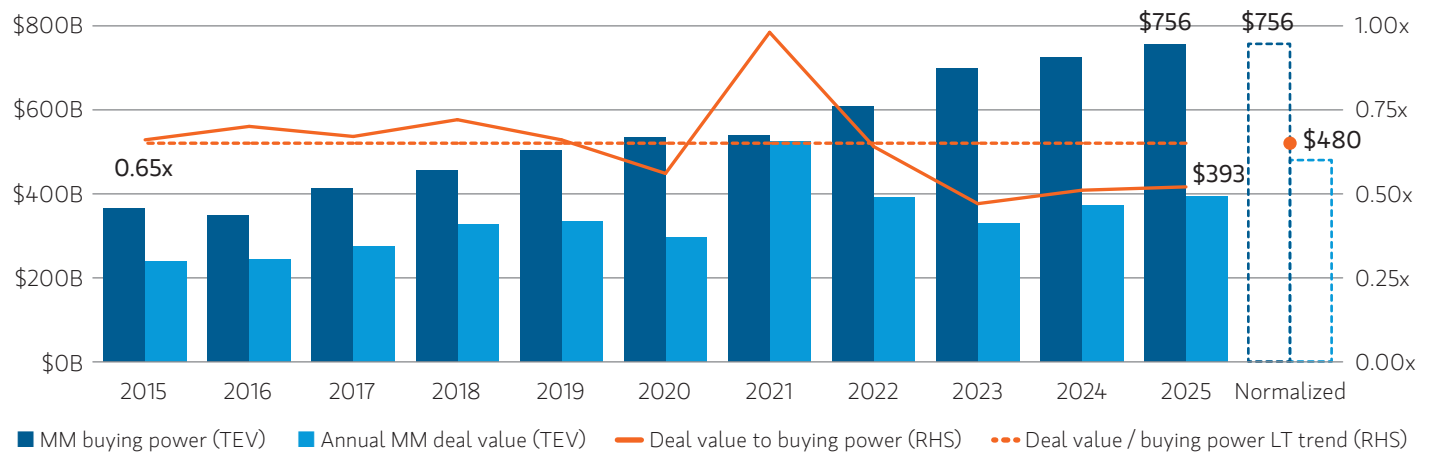
fertile ground for opportunistic lending compared to larger, more liquid segments of the market, as middle market transactions are characterized by greater opacity, less standardized processes, and a higher degree of direct negotiation. Additionally, the middle market segment remains highly fragmented, resulting in less efficient access to public capital markets and reinforcing the need for customized financing solutions. In private markets, that fragmentation can dissuade larger-scale lenders more reliant on standardized origination processes from focusing too much time and energy on the segment. The combination of

DISPLAY 12

Direct lending has moved up market and is now regularly splitting share of \$1B+ financings with large banks.



Source: PitchBook LCD. As of December 31, 2025. US and Europe based on count. Other includes high yield bond financings/co-financings.

DISPLAY 13**PE middle market deployment has been constrained, with scope to rise by 22% near term.**

Source: PitchBook, Morgan Stanley Investment Management. As of March 31, 2026. US only.

a growing universe of capital-constrained companies and a more limited pool of direct lenders to the middle market creates a structurally favorable supply-demand dynamic for flexible capital providers that have experience catering to this segment.

There are two primary sub-segments of the middle market lending market, each with its own unique attributes and demand drivers in an Opportunistic Credit context, as described below.

Sponsored Segment

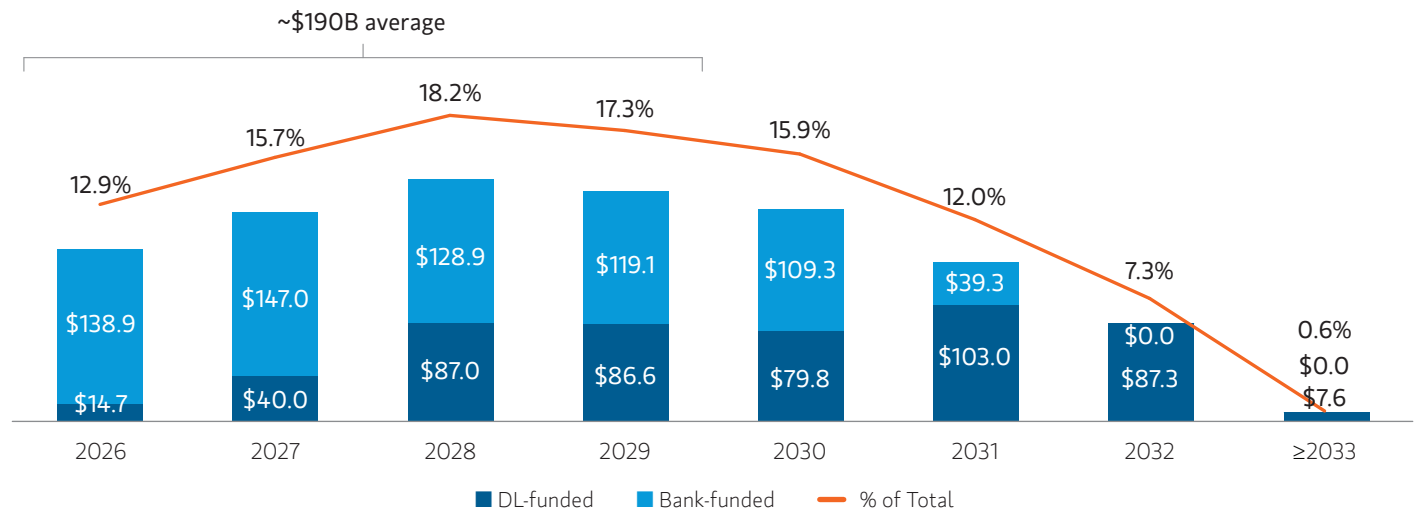
The sponsored sub-segment of the middle market space is a more intensive user of private debt, and by extension flexible capital, due to the highly transactional nature of

the private equity industry. Companies are bought to be sold, and leverage is a key ingredient to generating outsized returns in the interim.

From a strictly deal related standpoint, the PE middle market has arguably the most significant scope to ratchet up activity both on the buy and sell side. PE deployment relative to buying power in the middle market fell to ~30% below trend in 2023 before improving slightly in 2024 and 2025, but the pace of recovery has lagged the large PE deal market, which should translate to a release of more pent-up deal flow once unlocked. A full unlock of pent-up demand implies \$480 billion in annual middle market buyout value, a significant uplift to the \$393 billion recorded in 2025 (Display 13).

DISPLAY 14

\$760 billion of the ~\$1.2 trillion in US middle market loans will mature in the next four years.



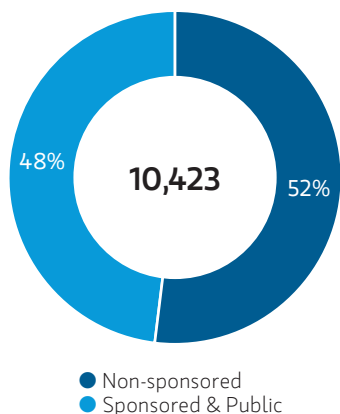
Source: LSEG, PitchBook LCD, Morgan Stanley Investment Management. As of March 31, 2026. US only.

At the same time financing demand related to PE middle market buyouts is set to re-accelerate, a refinancing wave consisting of older middle market loans is fast approaching. Inclusive of non-sponsored middle market companies, a total of \$1.2 trillion in middle market loans is due to mature over the next seven years, \$760 billion of which will come due within the next four years. This translates to approximately \$190 billion in average annual refinancing-related demand, depending on rounding and scope (*Display 14*).

The combination of these two factors can result in significant excess demand relative to the available supply of middle market lenders and capital supply. This dynamic has important implications. As demand for flexible capital

outpaces supply, investors may benefit from increased selectivity and improved negotiating leverage. In turn, this may support stronger structural protection and the ability to capture both an illiquidity premium and complexity premium relative to more commoditized forms of lending.

The challenge for opportunistic lenders catering to this space is to have sufficient breadth to deploy into the middle market segment at scale. As capital becomes more concentrated among fewer managers, those that have established sponsor relationships, proprietary origination networks, and the ability to deliver comprehensive capital solutions are better positioned to access and execute on these transactions.

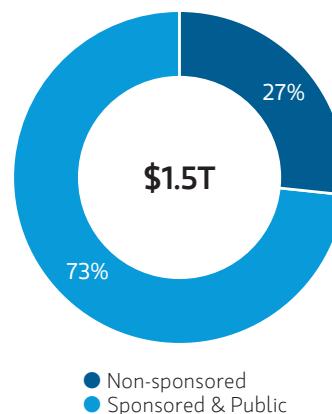
DISPLAY 15**Count of US companies with \$100M+ revenue.**

Source: PitchBook. As of March 31, 2026. US only.

Non-Sponsored Segment

The non-sponsored segment refers to borrowers that have yet to accept money from private equity investors to fund their capital needs. They tend to be founder-owned and/or management-owned and numerically they represent more than half of US companies with \$100 million or more in revenue. Conversely, they account for a minority of the leveraged loan market due to the absence of leverage for the sole purpose of augmenting returns to outside investors (Displays 15 and 16).

Financing processes in the non-sponsored segment of the middle market tend to be more relationship-based as opposed to the highly competitive auction processes that dominate large company and sponsor-backed financings. Non-sponsored financings are much more likely to be sourced through a proprietary relationship network and

DISPLAY 16**Value of US leveraged loans outstanding.**

Source: PitchBook. As of March 31, 2026. US only.

subsequently negotiated in a bespoke and bilateral manner, resulting in more favorable terms and reduced competition for lenders. To provide some referential context, a recent analysis of the leveraged loan market by JP Morgan Research bears this out. Looking solely at B-rated borrowers, which is the ratings category that accounts for two-thirds of the market, spreads earned on non-sponsored loans exceeded spreads on sponsor-backed loans by an average of 140bps (Display 17).

Since non-sponsored companies do not have an extra source of backstop funding from a sponsor, these loans tend to feature more expensive original issue discounts, higher SOFR floors, greater call protection, and wider spreads, in addition to having processes allowing more time for primary due diligence and access to company management.

DISPLAY 17**Non-sponsored loans generate excess spread relative to like-kind sponsored loans.**

RATING	% OF B-RATED	SPONSORED SPREAD	NON-SPONSORED SPREAD	EXCESS SPREAD
B1	25.0%	315bps	345bps	30bps
B2	46.4%	362bps	541bps	179bps
B3	28.6%	513bps	671bps	158bps
Total/Weighted Average	100.0%	396bps	536bps	140bps

Source: J.P. Morgan Research. Based on an analysis of the 20 largest borrowers in each cohort out of 1,214 total borrowers in the J.P. Morgan Leveraged Loan Index. As of December 31, 2025.

DISPLAY 18**Key risks and underwriting considerations**

RISK	WHY IT MATTERS	UNDERWRITING / STRUCTURING FOCUS
Subordination risk	Junior debt and structured equity may sit behind senior claims	Conservative attachment points, collateral coverage, enterprise value cushion
Execution risk	Value realization may depend on sponsor actions, M&A, refinancing, or operational improvement	Milestone-based capital deployment, governance rights, credible business plans
Documentation risk	Complex capital structures require strong investor protections	Covenants, reporting requirements, remedies, intercreditor protections
Liquidity risk	Bespoke instruments may have limited secondary market liquidity	Hold-to-maturity underwriting, negotiated exit rights, diversified maturities
Valuation risk	Private instruments can be harder to mark than liquid securities	Independent valuation discipline, conservative assumptions, stress testing

Source: Morgan Stanley Investment Management. For illustrative purposes only.

Risk Considerations and Strategy Discipline

Opportunistic Credit requires a disciplined approach to portfolio construction and risk underwriting. The bespoke nature of its solutions can be complex, and investments may involve elements of subordination, illiquidity, valuation, or execution risk (*Display 18*). These risks can be mitigated through a consistent focus on business quality, conservative structuring, documentation discipline, and diversification across transaction types and sectors. Identifying companies with resilient cash flows and credible pathways to value realization is essential in distinguishing opportunistic investments from distressed situations. A long track record of deploying opportunistic capital through credit cycles, together with significant experience structuring complex transactions, should be key criteria in manager selection.

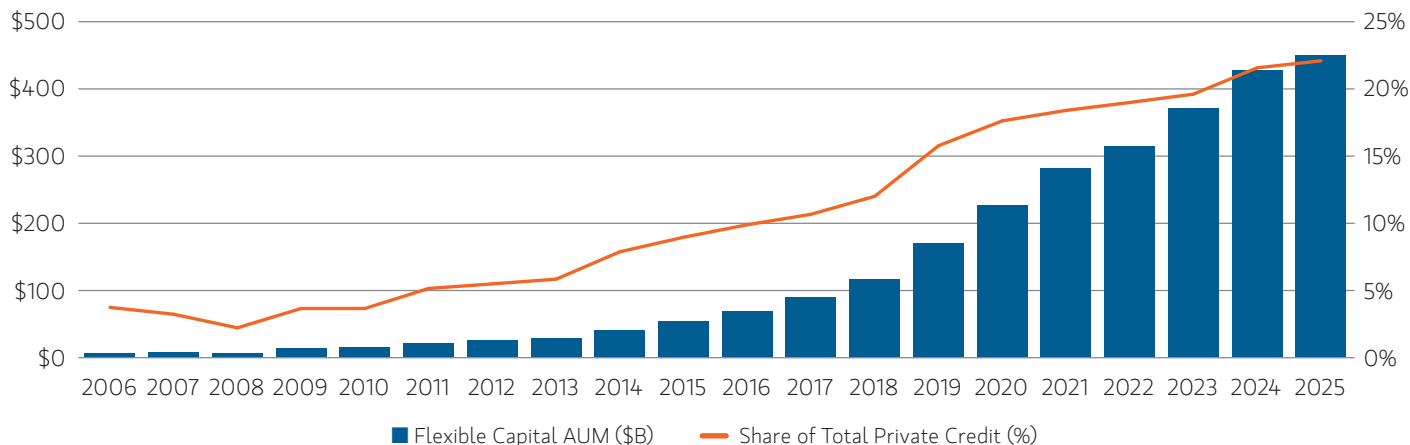
A Growing Component of Institutional Portfolios and Private Credit Assets

Private Credit has evolved from a bank-disintermediated opportunity for leveraged lending into a large, institutional asset class. As the market has grown, it has become increasingly segmented, with strategies ranging from traditional direct lending to more complex and flexible opportunistic approaches. Traditional direct lending, while effective for standardized transactions, is often insufficient to address more complex capital needs. Opportunistic Credit has emerged as a complementary strategy, designed to address these gaps through flexible structuring and broader capital solutions.

Opportunistic Credit is the largest subset of a broader category of funds referred to as Flexible Capital. These are debt funds that allow for deployment across the capital structure of private operating companies. The broadest of these will also invest in public companies as well as assets. We view Opportunistic Credit as capital providers to private companies only.

DISPLAY 19

Flexible Capital's share of Private Credit assets has grown from under 5% to 20%+ over the last 15 years.



Source: PitchBook, Morgan Stanley Investment Management. As of December 31, 2025. Includes invested capital in semi-liquid funds as well as drawdown funds.

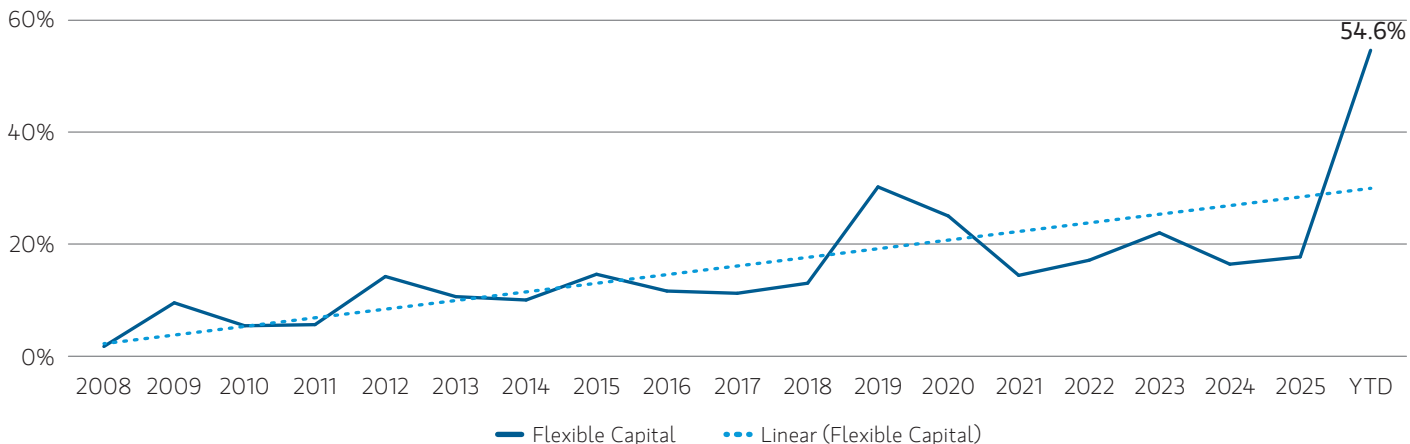
Note: Flexible capital represents combined totals of the credit special situations and multi-strategy private debt sub-strategies as defined by PitchBook. These sub-strategies allow for deployment across the capital structure of private operating companies and are comprised primarily of Opportunistic Credit funds.

Recognizing this dynamic, institutional investors have increased commitments to flexible capital strategies to capitalize on growing borrower demand and the ability to capture return alpha within their Private Credit allocations. Its percentage of total assets under management in Private Credit including both drawdown and semi-liquid funds has risen from 5% in 2010 to over 20% in 2025 (Display 19). Similarly, its share of Private Credit fundraising has climbed

steadily over the same span before surging in 2026. Through May 2026, flexible capital strategies have raised \$53 billion, equal to all of last year and a 54.6% share of all Private Credit fundraising (Display 20). The strategy has emerged as a core component of a robust allocation to public and private credit, and investors have come to appreciate diversification benefits driven more by idiosyncratic credit outcomes rather than market beta.

DISPLAY 20

Flexible Capital's share of Private Credit fundraising has been steadily rising prior to surging in 2026.



Source: PitchBook, Robert Stanger & Company, Morgan Stanley Investment Management. As of May 15, 2026. Includes committed capital in semi-liquid funds as well as drawdown funds.

Note: Flexible capital represents combined totals of the credit special situations and multi-strategy private debt sub-strategies as defined by PitchBook. These sub-strategies allow for deployment across the capital structure of private operating companies and are comprised primarily of Opportunistic Credit funds.

Opportunistic Credit's Role in a Private Markets Portfolio

For institutional investors, Opportunistic Credit can serve as a complement to traditional direct lending and private equity rather than a substitute for either. Relative to direct lending, the strategy seeks to access a broader range of complexity, structuring, and illiquidity premia. Relative to private equity, it may provide exposure to similar private-company value creation dynamics, but with greater emphasis on contractual return, structural protections, and negotiated downside mitigants.

This role may be particularly relevant in a higher-rate, slower-exit environment, where sponsors and borrowers increasingly require capital solutions that sit between senior debt and common equity. In this context, Opportunistic Credit may help diversify private market portfolios by adding exposure to idiosyncratic credit outcomes that are less dependent on broad equity market beta or traditional buyout exit activity.

Conclusion: A Durable Opportunity Set

Opportunistic Credit represents a natural evolution within Private Credit markets, reflecting the increasing complexity of financing needs in the private economy. The strategy is underpinned by a confluence of factors: a generally stable but higher-rate macro environment interrupted by recurring but short-lived dislocations, shifting private equity dynamics, and structural inefficiencies in the middle market.

Crucially, the opportunity set is not dependent on systemic distress. Instead, it arises from the growing prevalence of situations in which fundamentally sound companies require tailored capital solutions to navigate periods of transition. As private markets continue to expand and mature, these conditions are likely to persist.

In this context, Opportunistic Credit offers a differentiated approach to other strategies within Private Credit: one that seeks to combine structural protection with flexibility while pursuing returns in areas where flexible capital is scarce and borrower demand is acute.

For investors seeking differentiated exposure within Private Credit, opportunistic strategies may represent one of the more compelling risk-adjusted opportunities in the current environment.

IMPORTANT INFORMATION

RISK CONSIDERATIONS

Alternative investments are speculative, involve a high degree of risk, are highly illiquid, typically have higher fees than other investments, and may engage in the use of leverage, short sales, and derivatives, which may increase the risk of investment loss. These investments are designed for investors who understand and are willing to accept these risks. Performance may be volatile, and an investor could lose all or a substantial portion of its investment.

There is no guarantee that any investment strategy will work under all market conditions, and each investor should evaluate their ability to invest for the long-term, especially during periods of downturn in the market.

A separately managed account may not be appropriate for all investors. Separate accounts managed according to the Strategy include a number of securities and will not necessarily track the performance of any index. Please consider the investment objectives, risks and fees of the Strategy carefully before investing. A minimum asset level is required.

For important information about the investment managers, please refer to Form ADV Part 2.

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