

# OPPORTUNITIES IN GLOBAL STRUCTURED CREDIT

2024

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**PAST PERFORMANCE** As with any investment vehicle, past performance cannot assure any level of future results. There is no assurance that any Fund will necessarily achieve its investment objective or that it will or is likely to achieve results comparable to those shown herein, or will make any profit, or will be able to avoid incurring losses. The performance information herein has been prepared by or on behalf of the Fund’s investment adviser, and has not been independently audited, except with respect to certain audited year-end data. Performance information is shown net of the Fund’s expenses, management fees and incentive fees except as expressly stated.

**MARKET INDEX** Market index information shown herein, such as that of the S&P 500 (an index of 500 of some of the largest and most liquid publicly traded U.S. stocks), is included to show relative market performance for the periods indicated and not as a standard of comparison, since the indices are unmanaged, broadly based and differ in numerous respects from the Fund. Market index information was compiled from sources that the Fund’s investment adviser believes to be reliable. However, the investment adviser does not guarantee the accuracy or completeness of such data.

**TARGET RETURNS** Targeted returns set forth in this document are provided to show the performance targets that the investment strategies of the applicable Fund have been designed to achieve. However, there is no assurance that all or any of such targeted performance will be achieved by the Fund for any period in the future. An investment in the Fund is subject to a variety of risks, and there can be no assurance that the Fund’s investment objective will be met in its entirety or that the Fund will not incur losses. Before making an investment decision with respect to the Fund, investors are advised to review the applicable offering memorandum and other related subscription documents, and to consult with their tax, financial, and legal advisors.



# OUR PLATFORM

# LEADERSHIP TEAM

- FORMED IN 2008 BY INDRANIL “NEIL” BASU AND CHANDRAJIT “CJ” CHAKRABORTY
- DEEP EXPERTISE IN CREDIT, STRUCTURED FINANCE, AND INVESTMENT BUSINESS MANAGEMENT



**Indranil “Neil” Basu**  
CEO, Managing Partner

16 Firm Tenure      32 Years Experience



**Chandrajit “CJ” Chakraborty**  
CIO, Managing Partner

16 Firm Tenure      26 Years Experience



**Matthew Layton**  
Head of Europe, Co-Head Credit, Partner

15 Firm Tenure      22 Years Experience



**Tim Carroll**  
Business Development, Partner

6 Firm Tenure      21 Years Experience



**Kelvin Ho**  
COO, CCO, Partner

8 Firm Tenure      15 Years Experience



**Kerrill Gaffney**  
Co-Head Credit, Partner

11 Firm Tenure      16 Years Experience



**Michael Brown**  
Head of Structuring, Partner

13 Firm Tenure      13 Years Experience



**Pak Sum Chan**  
Quantitative Analytics, Partner

9 Firm Tenure      9 Years Experience



As of June 2024. “Years Experience” denotes years-of-experience in the financial industry. “Firm Tenure” denotes years-of-employment by Pearl Diver Capital LLP. All rights to trademarks and/or logos herein belong to their respective owners and Pearl Diver’s use thereof does not imply an affiliation with, or an endorsement by, the owners of these trademarks and/or logos.

# PEARL DIVER CAPITAL ORGANISATION

## MANAGEMENT TEAM

**Neil Basu**  
CEO / Managing Partner

**Chandrajit Chakraborty**  
CIO / Managing Partner

## INVESTMENT AND TRADING TEAM

**Matthew Layton**  
Head of Europe / Partner

**Michael Brown**  
Partner

**Kerrill Gaffney**  
Partner

**Pak Sum Chan**  
Partner

**Giannis Ntikas**  
Executive Director

**Paulius Leonavicius, CFA**  
Executive Director

**Jing Yang, CFA**  
Vice President

**Simon Davies**  
Executive Director

**Samuel Korsen**  
Data Analyst

## NEW YORK OFFICE

**Timothy Carroll**  
Business Development / Partner

**Michael Ashton**  
Business Development / Managing Director

**Echo Chan**  
Senior Operations Director

**Jenna Paulus**  
PA

## FINANCE & OPERATIONS

**Kelvin Ho**  
COO & CCO / Partner

**Kwan Yi Kwong**  
Compliance & Middle Office Manager

**Rohit Naha**  
Vice President

**Margot Vasudeva**  
Assistant Vice President

**Dea Chaki**  
Middle Office Associate


**Sarah Jirari**  
PA

**Haydee Edgely**  
Office Administrator


# INVESTMENT STRATEGY THROUGHOUT THE CYCLES

- **FLEXIBLE, AGILE INVESTMENT STRATEGIES SPECIFIC TO EACH FUND, LAUNCHED SEQUENTIALLY**
- **TARGET SECULAR ALPHA CREATION OPPORTUNITIES RELEVANT TO SPECIFIC POINTS IN THE BUSINESS CYCLE**



**PDC FUND I**  
**Net IRR<sup>1</sup>:** 66% realised  
**Theme:** Systemic illiquidity  
**Capital Stack:** Mezzanine  
**Geography:** US and Europe





**PDC FUND III, & IV**  
**Net IRR<sup>1</sup>:** 12.1% realised (PDC III)  
**Theme:** Majority primary  
**Capital Stack:** Equity  
**Geography:** US



**PDC FUND VII**  
**Theme:** Majority equity, restructured equity  
**Capital Stack:** Equity  
**Geography:** US

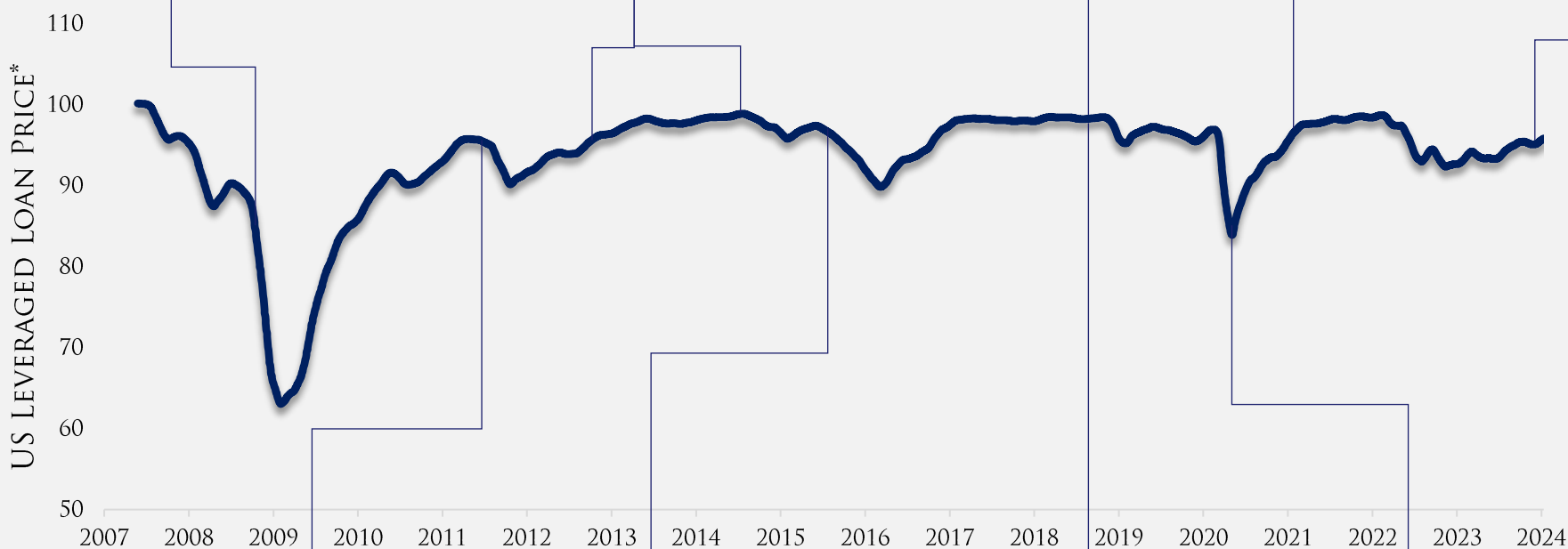
  


**PDC FUND IX**  
 Tactical, unconstrained CLO opportunities fund

**PDC NAUTILUS 2023**  
**Theme:** Tactical, unconstrained CLO  
**Capital Stack:** Mezzanine/Equity  
**Geography:** US and Europe




- Post Market Crash
- Weak Credit
- Low Liquidity



- Improving Credit
- Falling Rates
- Asset Mis-Pricing




- Stable Credit
- Full Asset Prices
- Pockets of Volatility
- Low Interest Rates





- Turn in Credit Cycle
- Moderate Volatility
- Rising Rates

**PDC FUND II**  
**Net IRR<sup>1</sup>:** 19% realised  
**Theme:** Mis-priced market  
**Capital Stack:** Equity  
**Geography:** US and Europe




**PDC FUND V**  
**Theme:** Majority primary, distressed secondary with restructuring activism  
**Capital Stack:** Equity  
**Geography:** US

**PDC EVERGREEN INCOME FUND: GLOBAL INCOME FUND**  
 Open-ended, short duration, floating rate, defensive, mezzanine

**PDC FUND VIII**  
**Theme:** Distressed Mezzanine and Equity  
**Capital Stack:** Mezzanine/Equity  
**Geography:** US and Europe



*1: Calculated using the net liquidation value for Pearl Diver's closed-ended funds*

\* S&P/LSTA Leveraged Loan Price Index

# THE INVESTMENT ADVISER

- **HISTORY OF OUTPERFORMANCE SPANNING 15+ YEARS WITH COMBINED LIFETIME NET IRR OF 13.7%<sup>1</sup>**
- **140+ YEARS OF COLLECTIVE EXPERIENCE IN ANALYZING, STRUCTURING, AND TRADING CLO**
- **10 INVESTMENT PROFESSIONALS EXCLUSIVELY DEDICATED TO CLO INVESTING**

**\$2.8B**

AUM (CLO Investments Only)<sup>2</sup>

**750+**

Number of CLOs Invested in

**80+**

Active Manager Relationships

**13.7%**

Lifetime Net IRR<sup>1</sup>

**15.3%**

Cash on Cash Return<sup>3</sup>

**~2,000**

Corporate Debt Exposures Underwritten

**\$79B**

CLO Restructuring Volumes Driven by Pearl Diver<sup>4</sup>

**0.57%**

Pearl Diver CLO Loan Default Rates<sup>5</sup>

## COMPETITIVE POSITIONING

CLO Issuer



CLO Investor



Both

CARLYLE

Blackstone

OFS

Octagon

## DIFFERENTIATED APPROACH



FUNDAMENTAL CREDIT ANALYTICS PLATFORM



PROPRIETARY TECHNOLOGY INFRASTRUCTURE



RELATIVE VALUE DRIVEN INVESTMENTS

1: Calculated using the net liquidation value as of 6/30/2024 for Pearl Diver's closed-ended funds (excluding managed accounts). Past performance is not indicative of future results.

2: Calculated using total contributed capital as of 6/30/2024 for all active funds managed by Pearl Diver Capital, LLP.

3: Cash on cash return calculated based on an annualized time weighted return of interest proceeds on investment cost of all investment in Pearl Diver close-ended funds (realised and unrealised) excluding managed accounts, on a gross basis. As of 6/30/2024, past performance is not indicative of future results.

4: Figure calculated as the sum of original notional of all tranches in CLOs where Pearl Diver owned the subordinated tranche during the corporate actions including refinance, reset, and repack.

5: Number shown on annualized basis, Excluding managed accounts; From 12/31/2013 to 6/30/2024.

# INVESTMENT PLATFORM

- **EXCLUSIVELY FOCUSED CLO INVESTOR WITH INTEGRATED QUANTITATIVE APPROACH TO CREDIT, SECURITIZATION ANALYTICS, AND TRADING**

**I** **Fundamental Credit Analytics Platform**

- Proprietary loan database
- Pricing credit risk of 2,500+ loans on a weekly basis
- Richer information access on stressed credits from multiple CLO manager platforms

*Experienced credit team with bottom-up credit analysis skills and proven track record in loan default avoidance*

**II** **Machine Learning Based Quantitative Infrastructure**

- Machine learning based origination and pricing
- Algorithms scrape data from 2,500+ CLOs monthly, generating manager alpha, and style profiles
- Loan trading price driven algorithm detects stress signals automatically

*Quant team with engineering and natural sciences backgrounds with proprietary technology mapping massive data volumes from the CLO market*

**III** **Trading, Corporate Restructuring, & Relationship Skills**

- \$70+ billion of control equity driven CLO refinancings executed to date
- Opportunistic, secular alpha creation themes for every fund offering
- 80+ active CLO manager relationships
- Partner owned with significant GP fund commits

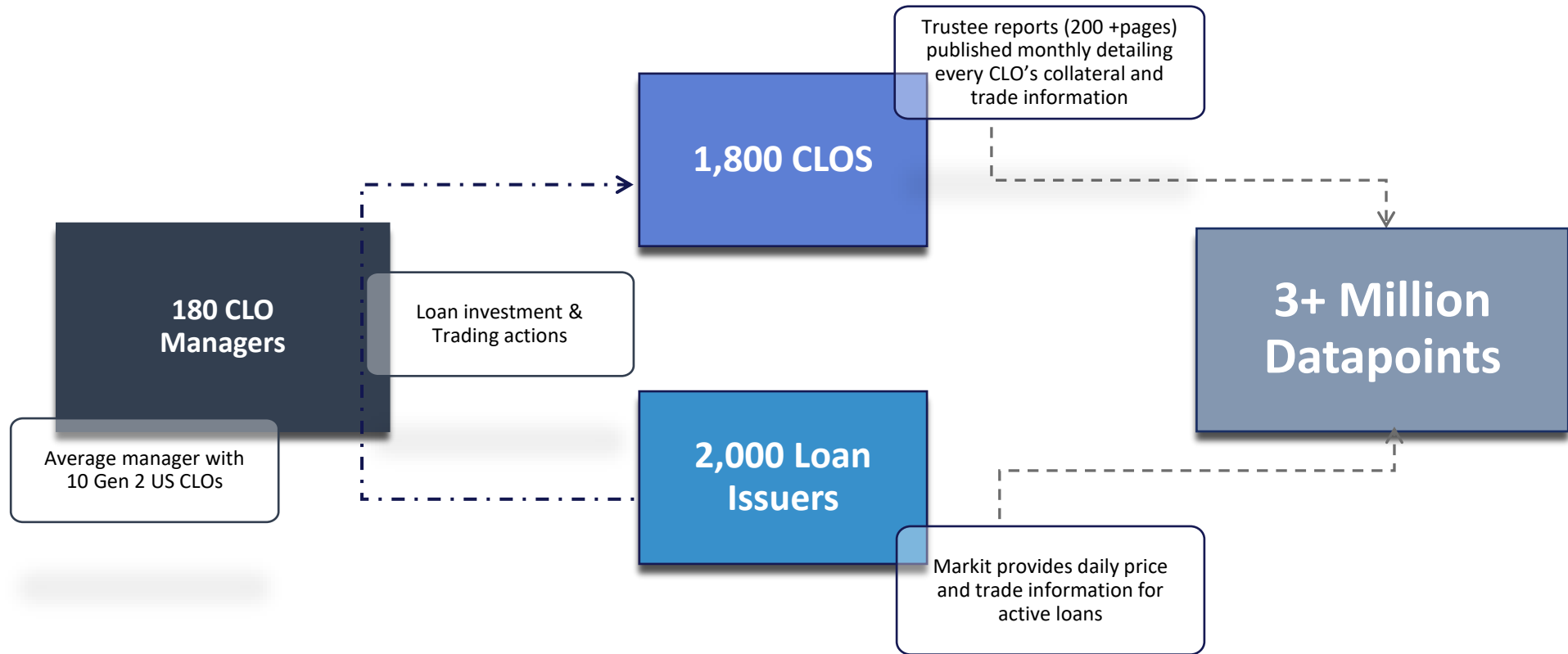
*Senior partners bring extensive deal structuring experience and “sell-side” perspective to trading and relationship driven market access*

Pearl Diver overview are provided for illustrative purposes only and is not a promise or representation as to future portfolio construction and/or performance and is subject to change without notice.



# THE CLO MARKET DATA MAP

- **BIG DATA ANALYSIS OF CLO PERFORMANCE USED TO BENCHMARK MANAGERS AND GAIN INSIGHT INTO FUTURE CLO BEHAVIOUR**



Continually updated, 2000+ issuer database with automatic stress signal flagging

CLO Manager alpha and style identification into a Ranking Heatmap for portfolio construction

Continual automated, anonymous real time mark-to-market price discovery of positions to time trades and identify relative value

AI Based automated CLO indenture readers to precisely model cash flow waterfalls

# INVESTMENT PROCESS AND RISK MANAGEMENT

- **PEARL DIVER'S INVESTMENT PHILOSOPHY AND PORTFOLIO MANAGEMENT ARE FORTIFIED BY OUR TECHNOLOGY**

## PORTFOLIO CONSTRUCTION

**Balanced Approach:** Mitigate risk through diversification across asset sectors, geographies, and CLO manager styles

**Capital Preservation:** Investing in assets with strong fundamentals and downside protection mechanisms

**Opportunistic and Agile:** Quick adjustments made in response to changing market conditions and opportunities



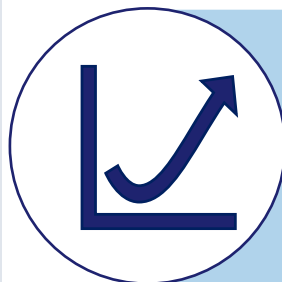
### REAL-TIME CREDIT RISK PRICING

- We take a line-by-line approach to credit, assigning an in-house rating for each loan in every CLO
- A bespoke default vector is generated based on our internal loan-specific rating assumptions



### RELATIVE VALUE DRIVEN

- Analyze CLO trends to identify attractive opportunities within the CLO market
- Use advanced models to price and assess each investment, ensuring strong risk-adjusted returns



### ACTIVIST INVESTING

- We regularly monitor the performance of our holdings and aim to influence CLO manager decision-making through regular calls
- We seek to drive CLO corporate actions to maximize the value of our CLO equity holdings

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# INVESTMENT PRODUCTS GEARED FOR THE CURRENT OPPORTUNITY

- **GLOBAL PRESENCE (LONDON AND NEW YORK) WITH ACCESS TO BOTH US AND EUROPEAN OPPORTUNITIES**
- **SMARTER ACCESS TO DIVERSIFIED CORPORATE CREDIT ACROSS A RANGE OF RISK-RETURN PROFILES**

1

## Tactical CLO Opportunities Fund Series

- Designed to take advantage of any turn in the cycle
- Unconstrained strategy across the CLO capital structure to deliver mid-teens Private Equity Style returns

### Pearl Diver Nautilus Series 2024 LP

**Target Net IRR/MM:** ~12.5% - 15% /~1.5x - 1.7x

**Term:** 5 years/LP drawdown structure

**Geography:** US and Europe

2

## Open-Ended Floating Rate Evergreen Global Income Fund

- Floating rate bond fund offering
- Provides significant spread pick-up against similar credits assets
- Protection from rising interest rates
- Defensive short duration portfolio for low volatility

### Pearl Diver Floating Rate Global Income Fund

**Target Net Yield:** ~10% - 11%

**Term/Liquidity:** Monthly, with 30 calendar days notice

**Geography:** US and Europe

**Rating:** Minimum 50% Ba3/BB-

3

## Investment Grade Floating Rate Fund

- Lower volatility through bond selection and duration management
- Capital protection: de minimis default risk through credit underwriting

### Pearl Diver Investment Grade Floating Rate Fund

**Target Net Yield:** ~6% - 8%

**Term:** Weekly liquidity

**Geography:** US and Europe

**Rating:** CLO Investment grade AAA – BBB notes

4

## Tailored Managed Accounts

- Can be tailored to access investment grade, sub-investment grade and unrated parts of the CLO capital structure
- Shelf vehicles for rapid capital deployment in distressed opportunities

### Available on Demand

**Single LP Funds**

**Co-Investment Sidecars**

**Pledged Funds**

**Trigger Funds**

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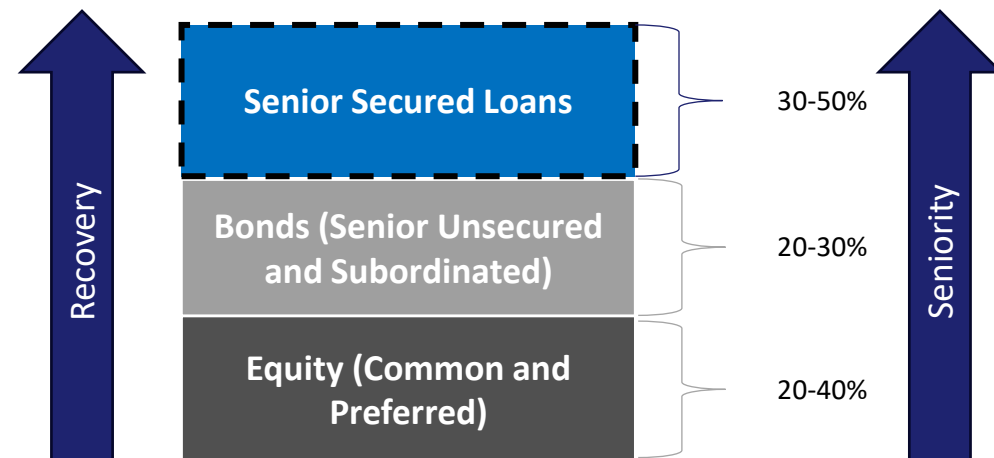
# LOAN & CLO PRIMER

# BROADLY SYNDICATED CORPORATE LOANS –THE FEEDSTOCK OF CLOs

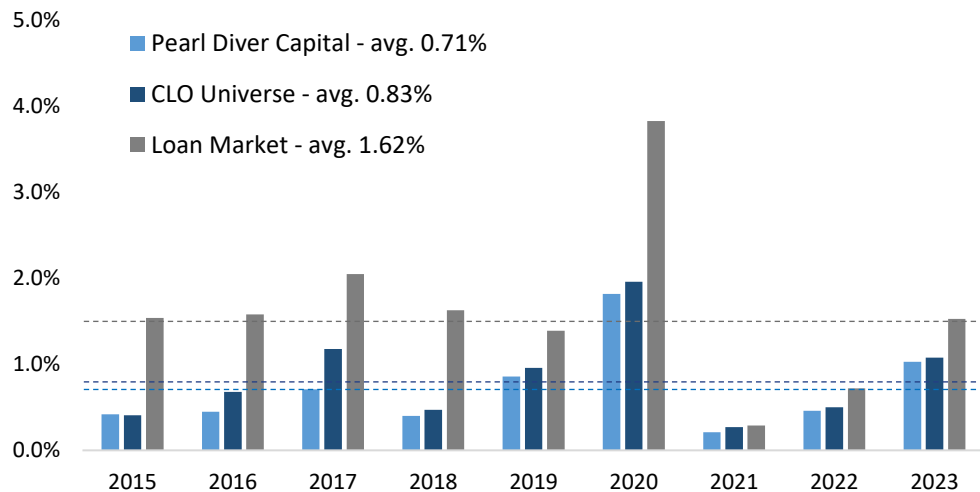
## ATTRIBUTES

- Senior:** Senior position in corporate borrower’s capital structure
- Secured:** First lien security interest on corporate borrower’s assets
- Floating Rate:** Mitigates interest rate risk associated with fixed rate bonds
- Low LTV:** Average loan-to-value ratio of ~ 40%-60%

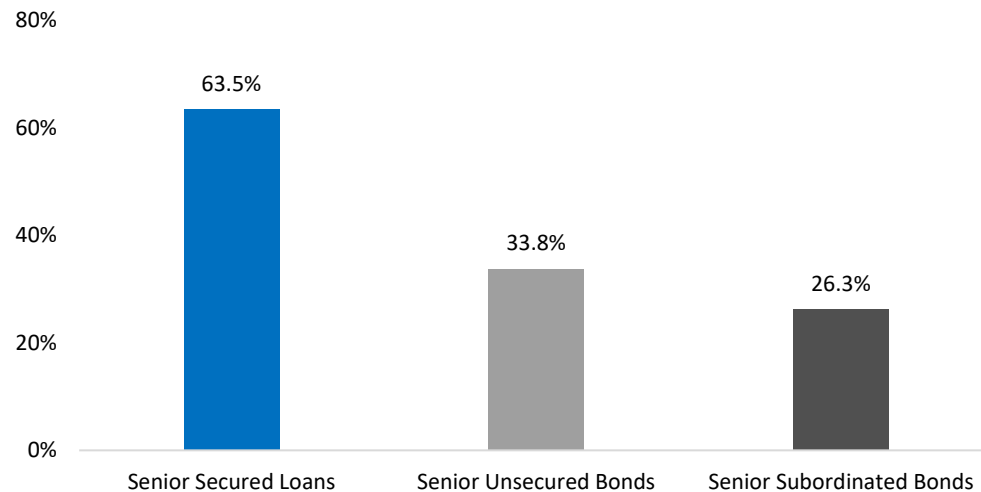
## REPRESENTATIVE CAPITAL STRUCTURE



## HISTORICAL ANNUALISED LOAN DEFAULT RATES<sup>1</sup>



## RECOVERY RATE BY SENIORITY (25-YR AVG.)<sup>2</sup>

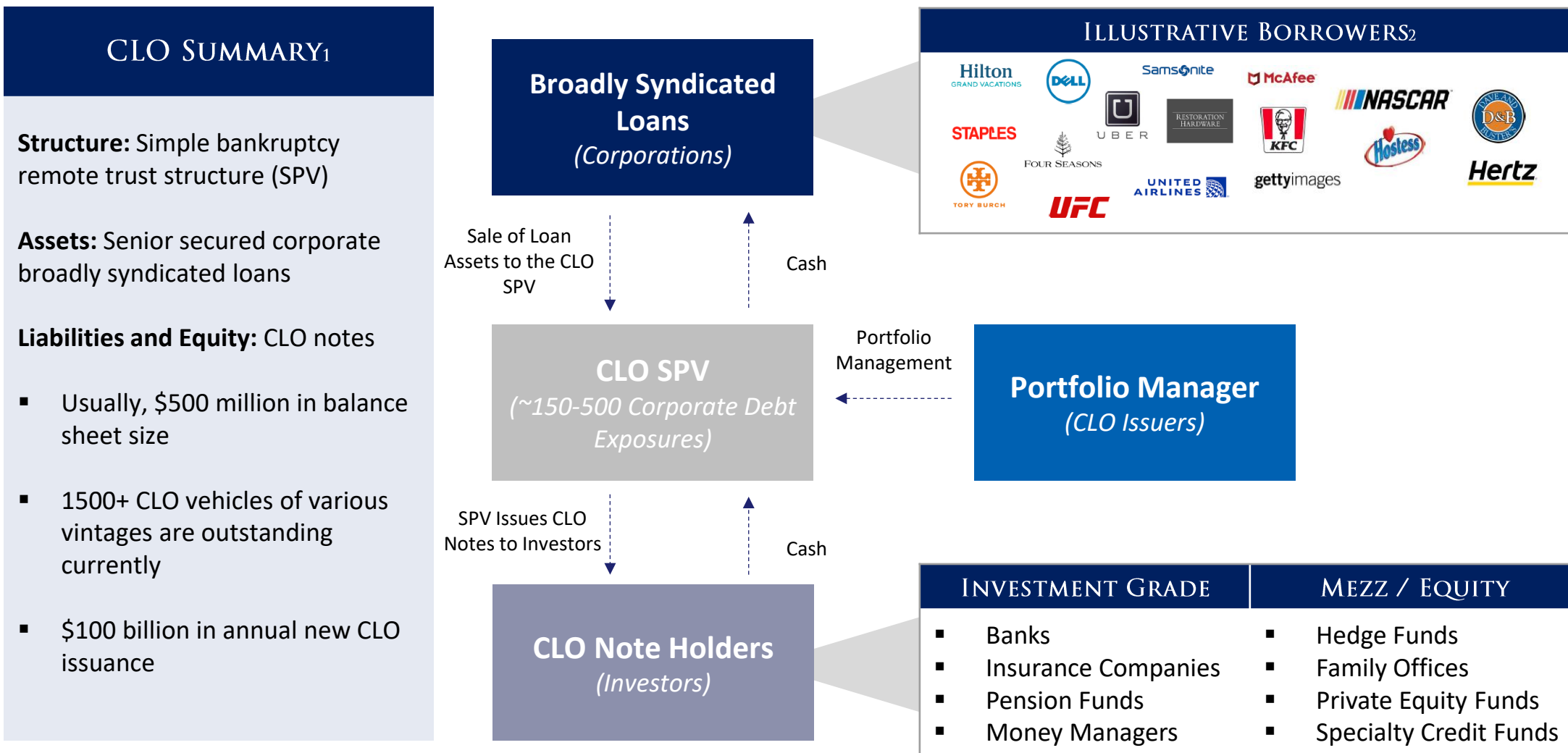


1: Source: Pearl Diver Capital. Since 2015. Annual default rates for the CLO universe are adjusted by CLO vintage.

2: Source: J.P. Morgan; PitchBook Data, Inc.; Bloomberg Finance L.P. Notes: Recovery rates are issuer-weighted and based on price 30 days after default date. 2009 Adj. recoveries are based on year-end prices. Typical loan characteristics and CLO structural features are provided for illustrative purposes only and is a generalization of the structure of the CLOs in which PDCC will likely invest. The actual terms of any loan and/or CLO PDCC invests in may vary. Past performance is not indicative of future results.

# CLO LEGAL STRUCTURE

- CLOS ARE SECURITIZATIONS OF DIVERSE PORTFOLIOS OF SENIOR SECURED LOANS



1: Typical loan characteristics and CLO structural features are provided for illustrative purposes only and is a generalization of the structure of the CLOs in which PDCC will likely invest. The actual terms of any loan PDCC invests in may vary. Past performance is not indicative of future results.

2: The representative borrowers shown may not reflect a meaningful part of the portfolios of our CLO investments and have been selected to provide context regarding the general types of borrowers of U.S. senior secured loans. Most of such borrowers are not as recognizable to the public as those shown. All rights to trademarks and/or logos herein belong to their respective owners and Pearl Diver's use thereof does not imply an affiliation with, or an endorsement by, the owners of those trademarks and/or logos.

# CLO LEGAL STRUCTURE (CONT.)

- CLOS RESEMBLE THE STRUCTURE OF A SIMPLIFIED BANK AND FACILITATE THE FLOW OF CAPITAL FROM INVESTORS TO BORROWERS<sup>1</sup>

## STRUCTURE HIGHLIGHTS<sup>2</sup>

Cash-flow CLOs fund purchase of a diverse portfolio of senior secured corporate loans

Achieved through issuance of long-term CLO notes/liabilities, providing stable funding for CLO equity investments

Loan assets acquired and actively managed by CLO manager

No forced sales or margin calls based on the performance of loans held by CLOs

Optionality to call or refinance liabilities lies with CLO equity

## REPRESENTATIVE CLO BALANCE SHEET<sup>3</sup>

Assets	Liabilities & Equity
<b>SOFR + 3.58%</b>  <b>Diverse Portfolio Primarily Senior Secured Corporate Loans</b>  ~150-500 Unique Corporate Loans	CLO Class A Notes (AAA) } 64%
	CLO Class B Notes (AA) } 9%
	CLO Class C Notes (A) } 7%
	CLO Class D Notes (BBB) } 5%
	CLO Class E Notes (BB) } 5%
	CLO Equity/ Subordinated Notes (N/R) } 10%

<sup>1</sup>: Reflects Pearl Diver's Opinion as of the date of this presentation and is subject to change without notice. Information is provided for illustrative purposes only and should not be considered a recommendation regarding the appropriateness of any particular investment or investments in CLOs generally.

<sup>2</sup>: Typical loan characteristics and CLO structural features are provided for illustrative purposes only and is a generalization of the structure of the CLOs in which PDCC will likely invest. The actual terms of any loan and/or CLO PDC invests in may vary. Past performance is not indicative of future results.

# WORKINGS OF A TYPICAL CLO

## ▪ ATTRACTIVE CLO EQUITY YIELD - ONE PERIOD SIMPLIFIED PROFILE

ASSET				LIABILITY/CLO NOTES							
	NOTIONAL AMOUNT	AVERAGE COUPON OVER RATE	TOTAL COUPON CASH FLOW	TRANCHE	RATING	NOTIONAL AMOUNT	FEES OR SPREAD OVER RATE	FEES / COUPON/ RESIDUAL CASH FLOW	PURCHASE PRICE	PURCHASE PROCEEDS	CURRENT YIELD
Loan Portfolio	505,350,000	3.58%	44,875,080	Senior Expenses	NA		0.07%	353,745			
				Senior fees	NA		0.15%	758,025			
				Class A	AAA	314,000,000	1.46%	21,226,400	100.00%	314,000,000	6.76%
				Class B	AA	65,000,000	1.80%	4,615,000	100.00%	65,000,000	7.10%
				Class C	A	30,000,000	2.00%	2,190,000	100.00%	30,000,000	7.30%
				Class D	BBB	35,000,000	3.15%	2,957,500	100.00%	35,000,000	8.45%
				Class E	BB	15,000,000	6.15%	1,717,500	100.00%	15,000,000	11.45%
				Class F	B	1,000,000	7.50%	128,000	99.00%	990,000	12.93%
				Junior fees	NA		0.20%	1,010,700			
				Equity	Equity	45,350,000		9,918,210	90.00%	40,815,000	24.30%
<b>Total</b>			<b>44,875,080</b>				<b>S+1.84%</b>	<b>44,875,080</b>			

Assumed Average Libor Floor = 75 bps, loans with no Floor are assumed at 0%  
 Equity Yield without any New Issue Discount =  $\$9,918,210 / \$45,350,000 = 21.8\%$   
 Equity Yield with a New Issue Discount =  $\$9,918,210 / (\$45,350,000 \times 90\%) = 24.3\%$

- S+184bps Weighted Average cost of debt in this CLO
- Example represents a recently priced CLO



# CLO MEZZANINE NOTES- RESILIENCE TO LOAN DEFAULTS

## ▪ CLO TRANCHE INVESTMENTS - A SMART WAY TO ALLOCATE INTO PRIVATE CREDIT

CLO BB IRR Sensitivity to Annual Loan Portfolio Default Rates



**Actively Managed Diversified Loan Portfolios**  
CLOs are actively managed and experience a lower than market default rate in their loan portfolios

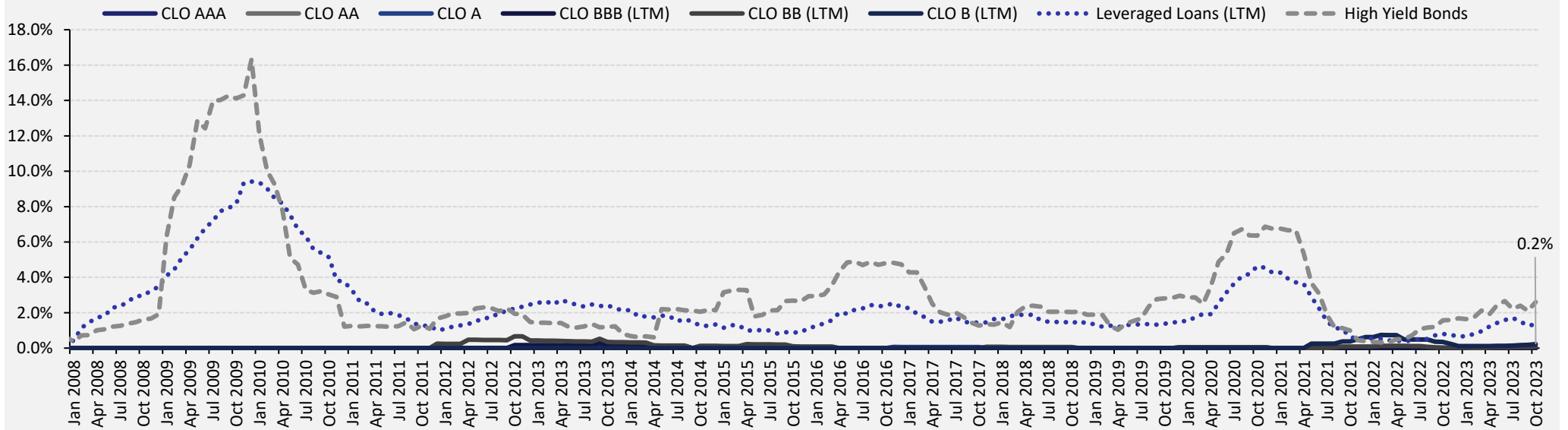
**Self Repairing**  
CLOs can redirect CLO equity dividends to build back losses from defaults

**Reinvesting Features**  
In softer loan markets CLOs can invest in loans at below par prices improving asset performance and value

**Floating Rate**  
CLO assets and liabilities are floating rate. Limits risk during rising interest rates

# HISTORICAL CLO MEZZANINE DEFAULT RATE- SIGNIFICANT OUTPERFORMANCE VS HY & LOANS

## LOANS VS CLO TRANCHES DEFAULT RATE



## PEAK DEFAULT RATE DURING STRESSED PERIODS

	High Yield Bonds	Loans (LTM)	CLO BB/B
GFC	16.3%	9.4%	0.6%
Covid-19	6.9%	4.6%	0.3%

CLO BB refers to the J.P. Morgan CLOIE BB Index; Leveraged Loan refers to the S&P/LSTA U.S. Leveraged Loan 100 Index; High Yield Bond refers to the S&P U.S. High Yield Corporate Bond Index

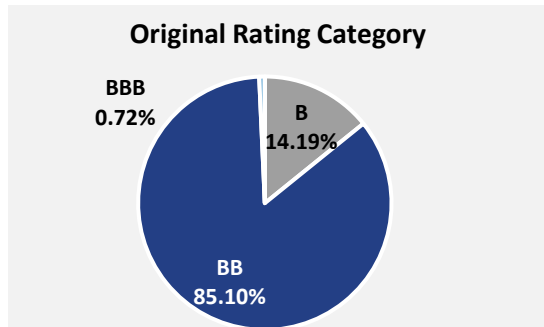


OPPORTUNITY

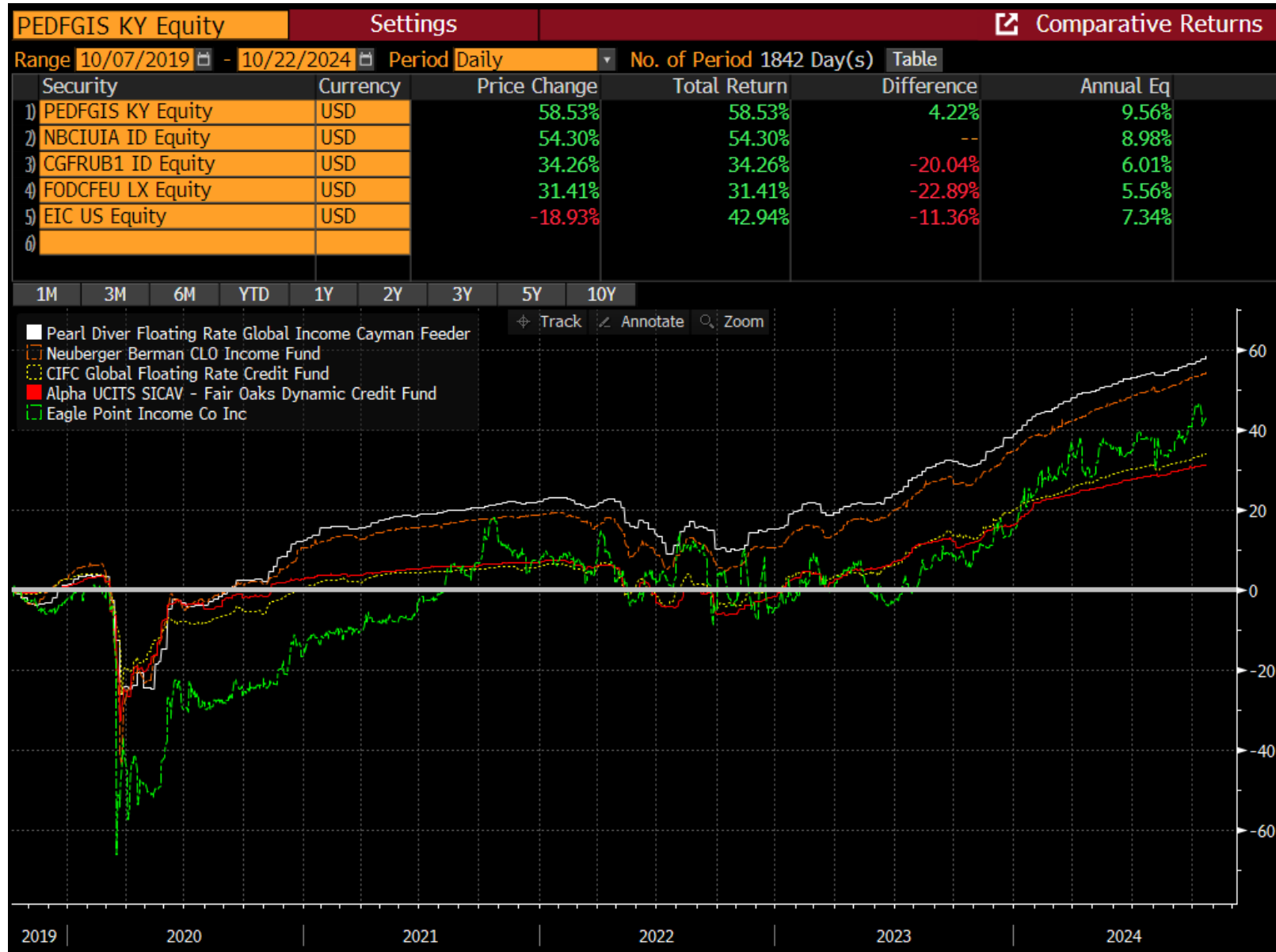
PEARL DIVER CAPITAL FLOATING RATE GLOBAL  
INCOME FUND

# CURRENT PORTFOLIO

	Average
No. of Positions:	182
No. of Managers:	79
Spread (SOFR+):	7.1%
Discount Margin (bps):	682
Asset Yield (%):	11.70
Reinvestment Period End:	Jan 2023
Expected Life (years):	2.38
MVOC:	105.4
Average Rating:	BB-



Top 5 Managers	Exposure
CSAM (UBS)	7.3%
PGIM	4.2%
KKR	4.0%
Anchorage	3.7%
CVC	3.6%



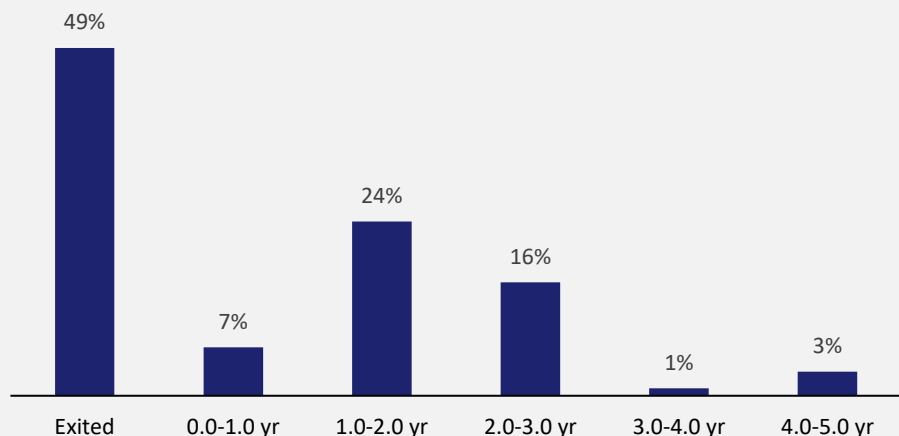
As of 30<sup>th</sup> September 2024  
Source: Pearl Diver, Bloomberg

# LOWER VOL AND HIGHER RETURN COMPARED TO PEERS

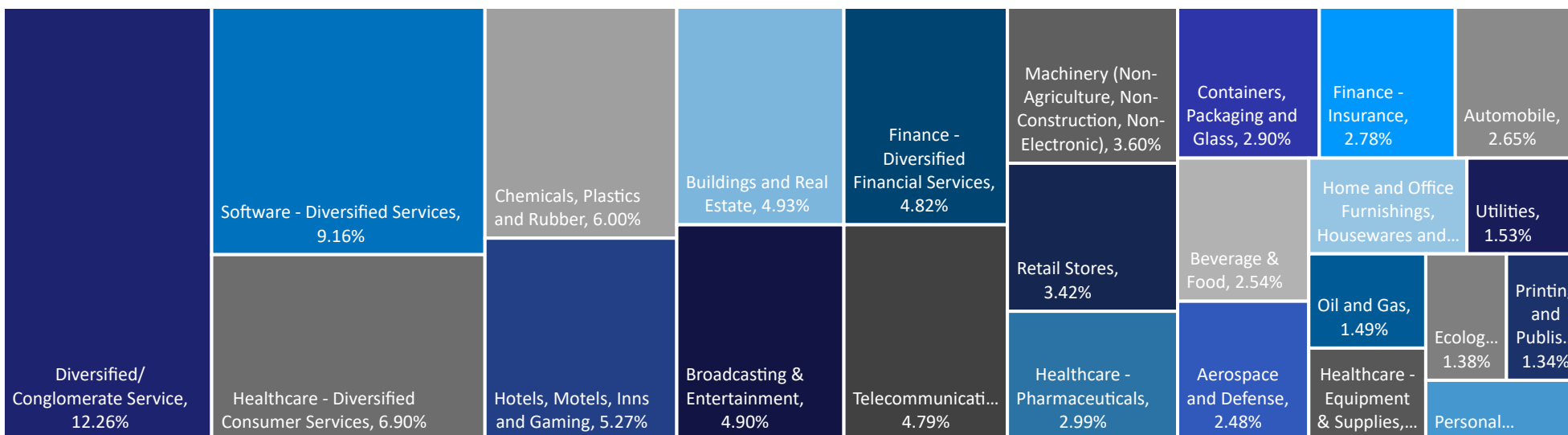
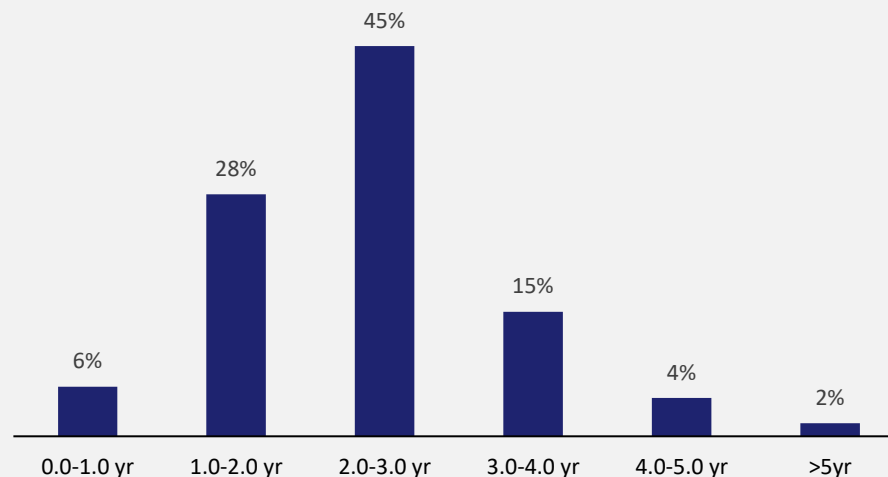
Profile		Performance		Holdings		Organizational	
<b>PEARL DIVER FLOATING RATE-S</b>						Objective High Yield Bond	
Pearl Diver Floating Rate Global Income Cayman Feeder is an hedged fund incorporated in the Cayman Islands. The Fund's objective is to maintain the high credit quality of the portfolio whilst optimising returns on a risk-adjusted basis. The Fund invests in diversified portfolio of senior secured corporate loans through USD denominated floating rate CLO bonds with ratings of BB/B. [FIGI BBG01G688TG0]							
PEDFGIS Metrics				10/18/2024			
Return		Fund		Index		Peers	
Per							
1 Wk	.37	--	-.17	82	Absolute (1Yr)	Fund	Index
1 Mo	1.18	--	.15	87	Sharpe Ratio	5.58	--
3 Mo	2.63	--	2.38	47	Volatility	2.68	--
YTD	14.25	--	6.57	97	Sortino Ratio	6.99	--
1 Yr	20.17	--	13.93	94	Downside Risk	1.59	--
3 Yr	9.21	--	1.20	99	5) Peer Group   FSRC »		
5 Yr	9.76	--	2.21	99	1 Yr	Rtn %	Vol %
2023	19.76	--	9.16	99	Average	13.93	3.80
2022	-5.58	--	-10.81	87	Std Deviation	4.47	2.13
2021	8.86	--	2.55	95	Median	14.32	3.82
2020	10.97	--	2.99	98	Dividend Statistics		
2019	--	--	10.40	--	12 Month Yield	N.A.	
2018	--	--	-3.74	--	Indicated Yield	N.A.	
2017	--	--	4.88	--	1 Yr Dividend Growth	N.A.	
2016	--	--	10.28	--	3 Yr Dividend Growth	N.A.	
2015	--	--	-1.24	--	5 Yr Dividend Growth	N.A.	
2014	--	--	2.42	--	Dividend Frequency	N.A.	

# GLOBAL INCOME FUND CURRENT PORTFOLIO COMPOSITION

FUND REINVESTMENT END DATE DISTRIBUTION

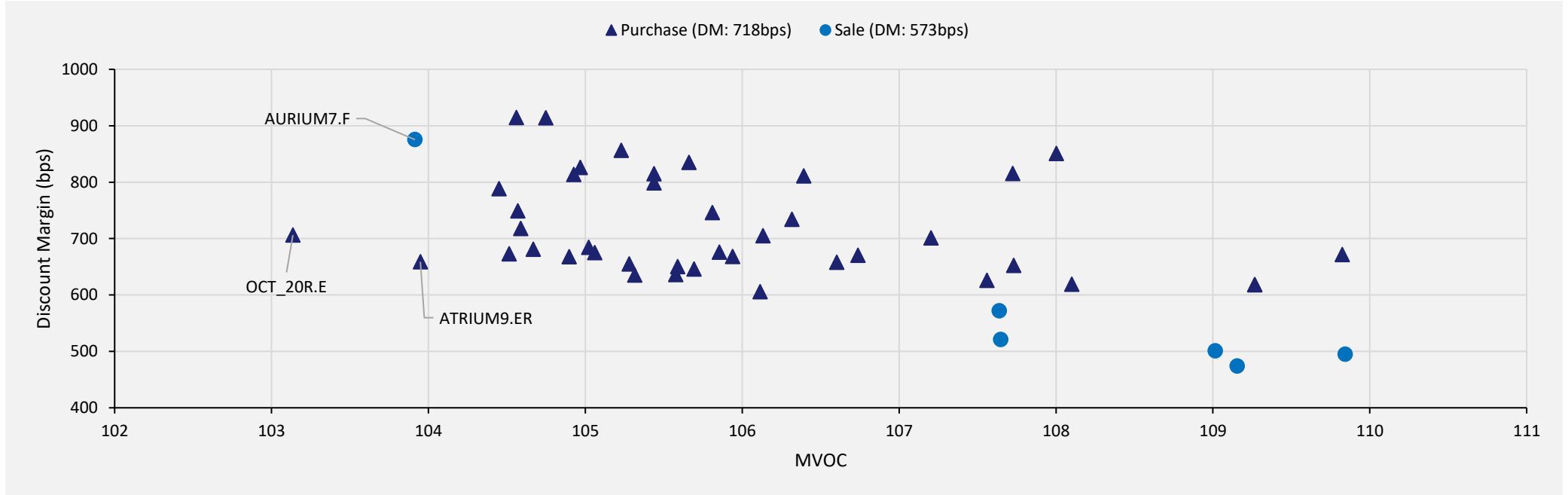


FUND EXPECTED CALL DATE DISTRIBUTION<sup>1</sup>



1: Based on Pearl Diver's proprietary expected call date model

# ACTIVITIES



## PURCHASE

Fund	Count	Notional	Average Price	Average Trade DM	Average Trade MVOC	Average Current MVOC	Average Projected IRR
Global Income Fund	41	87,595,000	99%	711	105.9	106.0	11.3%

## SALES

Fund	Count	Notional	Average Price	Average Trade DM	Average Trade MVOC	Average Current MVOC	Average Realized IRR
Global Income Fund	6	10,365,000	100%	567	108.0	108.1	20.6%

## PREPAYMENT

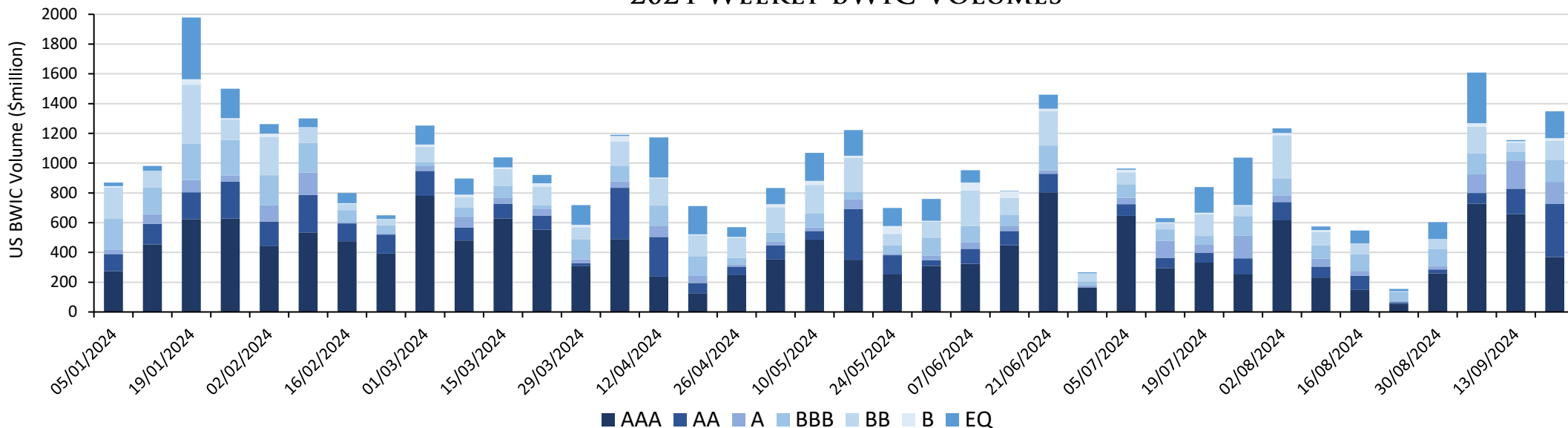
Fund	Count	Notional	Average Price	Average Trade DM	Average Trade MVOC	Average Current MVOC	Average Realized IRR
Global Income Fund	16	31,591,000	NA	NA	NA	NA	16.5%

\* Activities since 10<sup>th</sup> June 2024

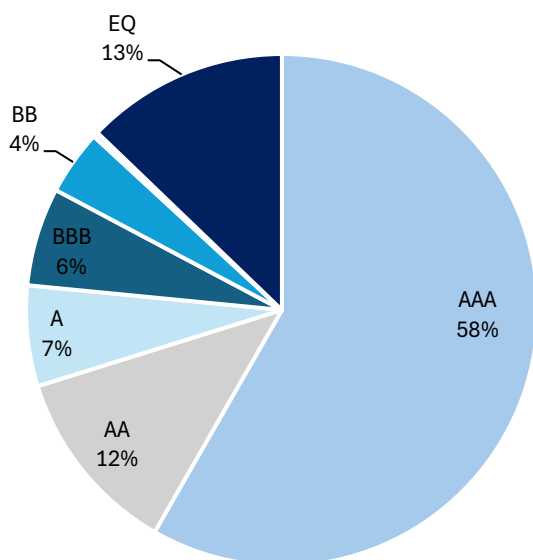
Source: Pearl Diver Capital

# 2024 YTD VOLUMES

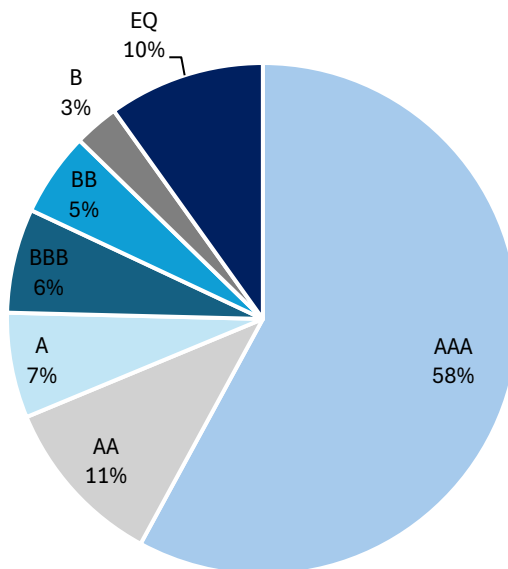
## 2024 WEEKLY BWIC VOLUMES



US OUTSTANDING CLO VOLUME  
\$990 BN



EU OUTSTANDING CLO VOLUME  
€244 BN



### Outstanding Mezzanine Volume / \$Bn

Global Mezzanine (A) \$ 68

\$1 Bn Fund Fraction of Market (B = 1 / A) 1.5%

### 2024 Annualised Mezzanine Volume / \$Bn

Global Secondary Trading Volume (C) \$ 42

Global Primary Issuance Volume (D) \$ 21

Source: JP Morgan 2024 YTD Issuance Package, Pearl Diver



# PORTFOLIO COUPON VS DURATION - US

## COUPON VS DURATION PORTFOLIO COMPOSITION

*PEARL DIVER FLOATING RATE GLOBAL INCOME FUND*

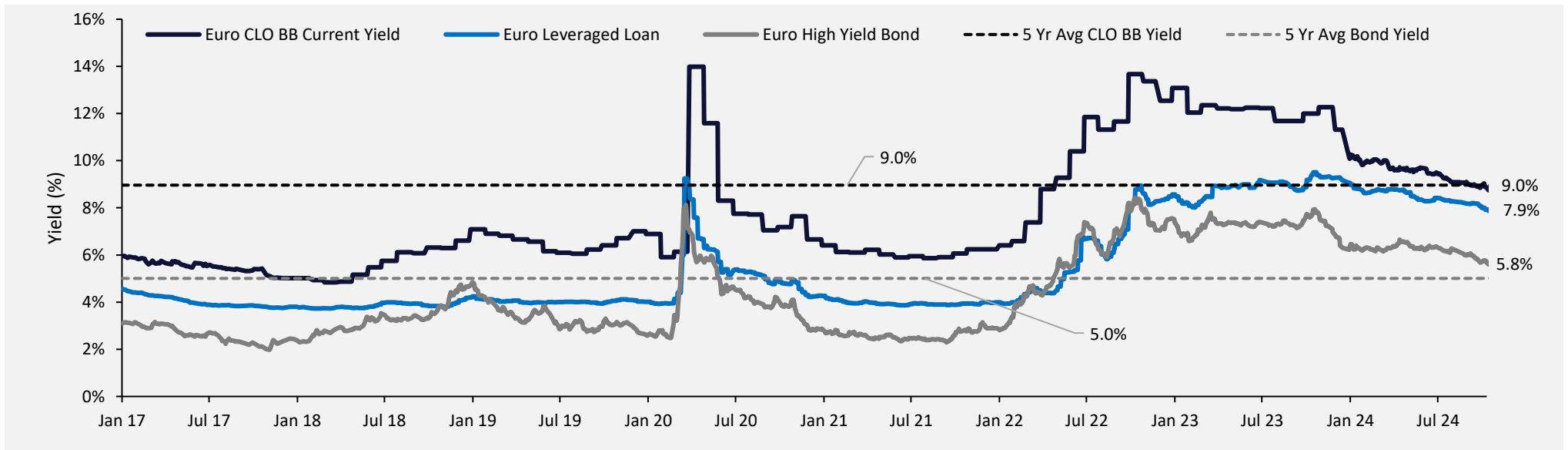
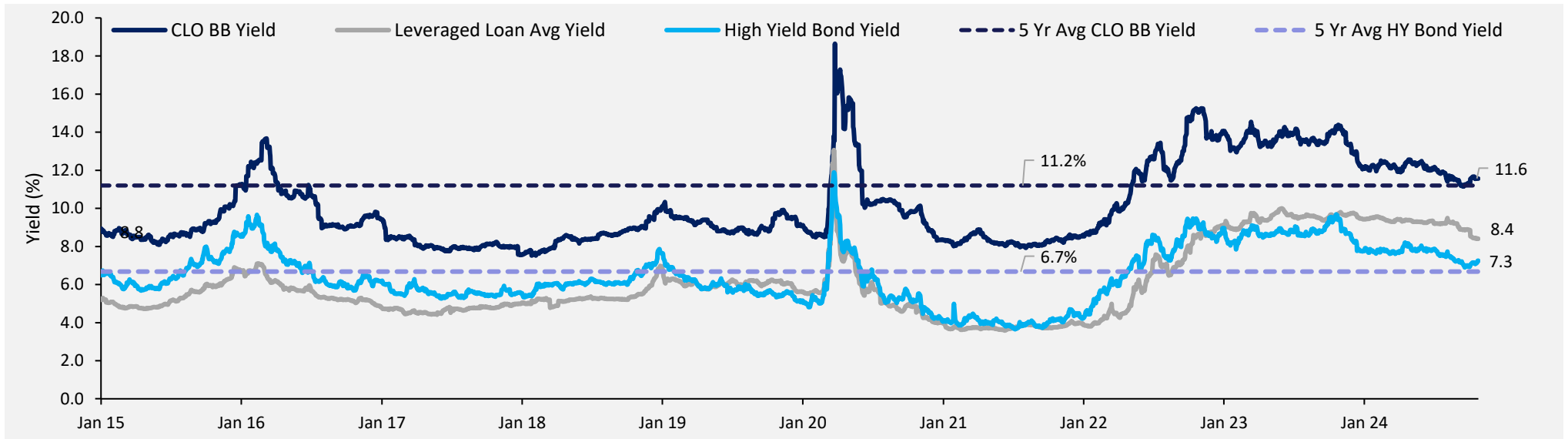
*US CLO BB MARKET*

Spread Over SOFR (%)	PEARL DIVER FLOATING RATE GLOBAL INCOME FUND									US CLO BB MARKET								
	<-2	-2--1	-1-0	0-1	1-2	2-3	3-4	4-5	>5	<-2	-2--1	-1-0	0-1	1-2	2-3	3-4	4-5	>5
> 8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.2	0.0	0.1	0.0	0.3	0.4	2.1	0.3	0.0
8.25-8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.3	0.5	1.1	0.3	0.0
8.0-8.25	0.0	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.5	1.2	0.5	0.1
7.75-8.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.5	0.0	0.0	0.0	0.1	0.3	0.3	0.4	0.5	0.9	0.2
7.5-7.75	0.0	0.0	1.7	1.2	1.0	0.7	0.0	0.0	0.0	0.2	0.1	0.2	0.4	0.6	0.9	0.1	1.4	0.1
7.25-7.5	0.0	0.0	0.0	0.7	4.0	0.5	0.0	0.0	0.0	0.1	0.2	0.2	0.4	1.5	1.9	0.0	1.2	0.0
7.0-7.25	2.3	0.0	1.4	0.0	3.2	3.0	0.0	0.5	0.0	0.8	0.2	0.7	0.6	1.6	2.8	0.1	1.3	0.4
6.75-7.0	3.0	1.3	4.8	0.0	1.4	3.6	0.0	0.0	0.0	0.9	0.5	1.6	0.7	2.4	3.0	0.0	1.9	0.2
6.5-6.75	5.1	1.3	2.8	0.6	3.4	7.5	0.0	0.0	0.0	1.3	0.5	1.8	0.8	3.1	4.7	0.1	2.3	0.2
6.25-6.5	3.4	3.6	2.5	1.4	3.7	2.7	0.0	0.5	0.0	1.9	1.4	1.8	0.5	4.0	2.7	0.0	1.6	0.3
6.0-6.25	0.0	5.5	3.9	0.0	1.3	0.0	0.0	0.0	0.0	1.5	2.8	2.2	0.3	1.6	1.1	0.0	1.0	0.1
5.75-6.0	0.6	4.1	4.2	0.0	0.0	0.0	0.0	0.0	0.0	1.0	3.9	1.9	0.1	0.9	0.2	0.1	0.9	0.1
5.5-5.75	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	3.6	0.6	0.1	0.0	0.1	0.1	0.5	0.1
5.25-5.5	0.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	2.3	0.1	0.0	0.0	0.1	0.0	0.1	0.1
5.0-5.25	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	1.3	0.0	0.0	0.0	0.1	0.0	0.0	0.0
4.75-5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0
4.5-4.75	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
< 4.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Moody's, Pearl Diver Capital

As of 25<sup>th</sup> September 2024

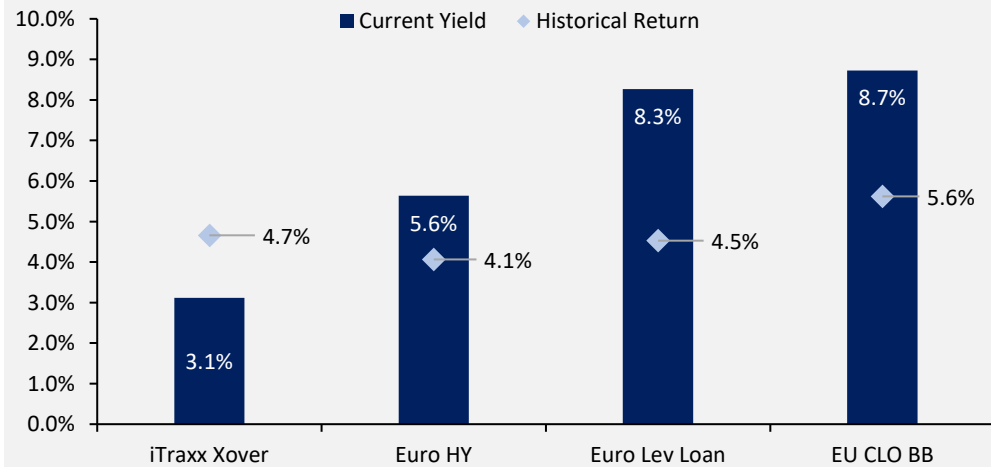
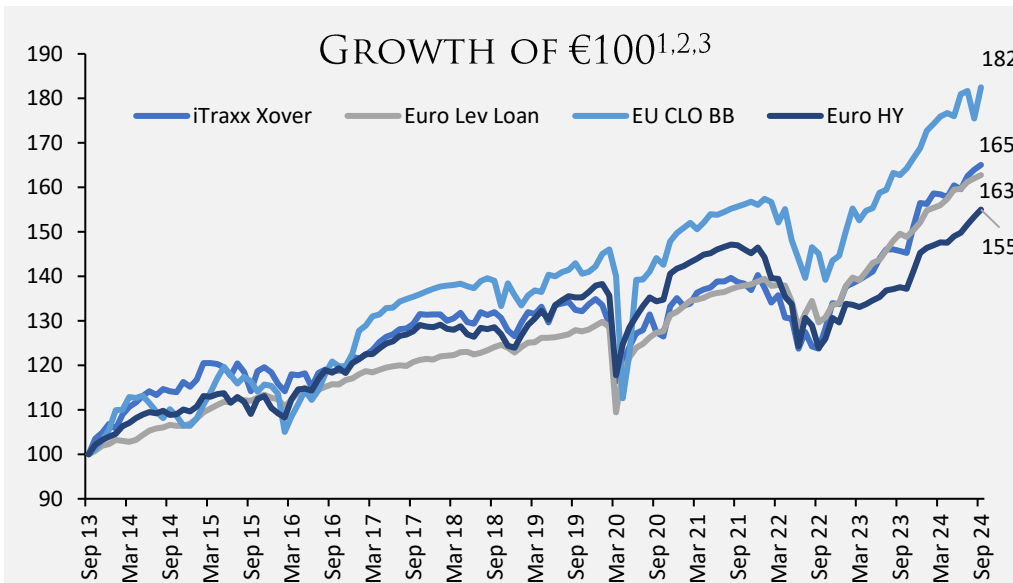
# RELATIVE VALUE US & EUROPE



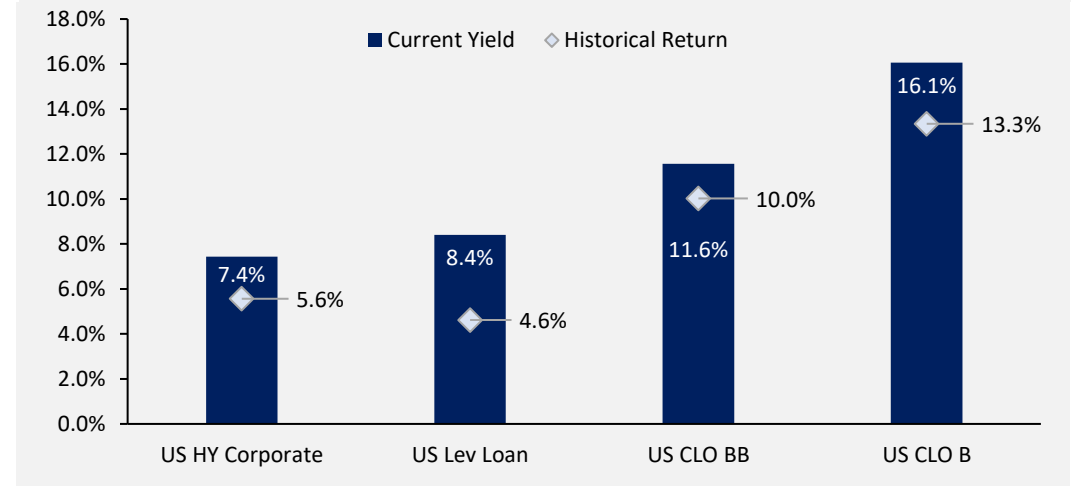
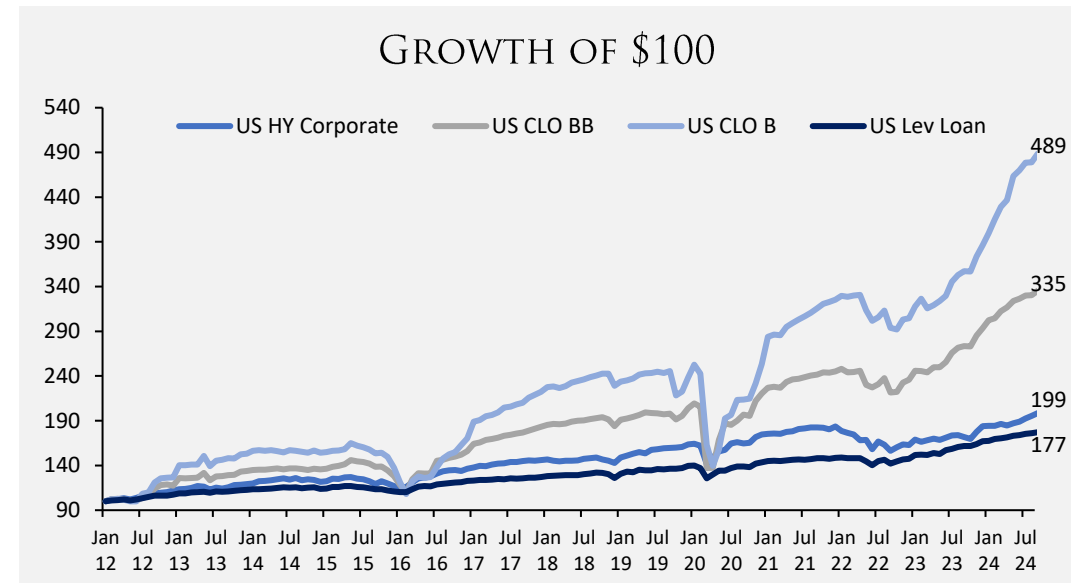
CLO BB refers to the J.P. Morgan CLOIE BB Index; Leveraged Loan refers to the S&P/LSTA U.S. Leveraged Loan 100 Index; High Yield Bond refers to the S&P U.S. High Yield Corporate Bond Index  
 Euro CLO BB refers to the Citi's CLO BB Index; Euro Leveraged Loan refers to the S&P European Leveraged Loan Index; Euro High Yield Bond refers to the ICE BofA Euro High Yield Index

# RELATIVE VALUE – US, EUROPE

## EUROPE<sup>1,2,3</sup>



## UNITED STATES<sup>1,2</sup>



1: Period from 31<sup>st</sup> January 2012 to 31<sup>st</sup> September 2024

2: Abbreviation of assets. Floating Rate Note: BBG BARC US Agg Float Adjusted Index; US Lev Loan: S&P/LSTA U.S. Leveraged Loan 100 Index; US HY Corporate: BBG BARC US Corp HY Index; US CLO: JPM CLOIE Index; iTraxx Xover: iTraxx Crossover 5 Year; Euro HY Corp: ICE BofAML Euro HY; Euro Lev Loan: S&P European Leveraged Loan

3: EU CLO Indices composed by Pearl Diver Capital based on data provided by Moody's

Past Performance is not indicative of future results

Source: J.P.Morgan, Citi, Bloomberg, S&P LCD, Pearl Diver Capital

# RETURN, RISK & LIQUIDITY

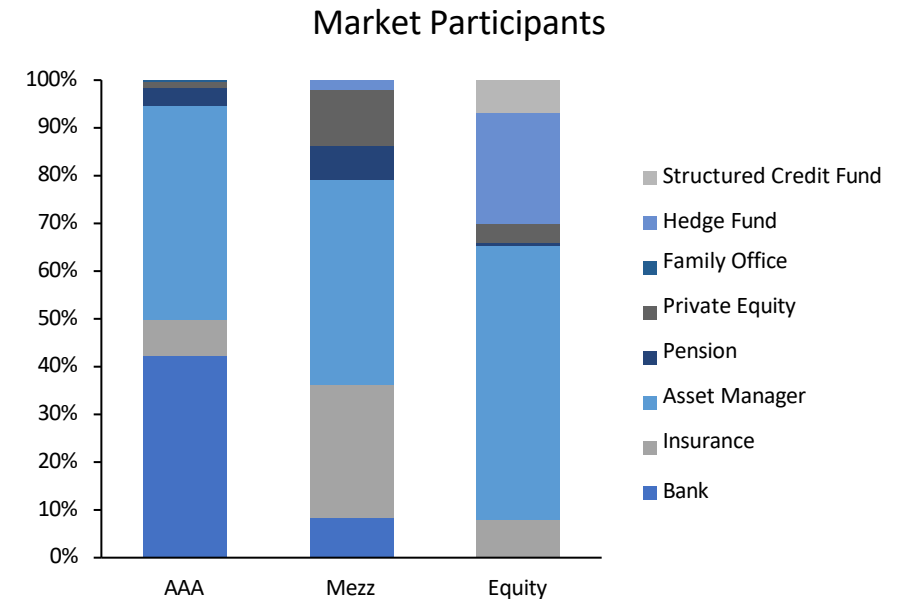
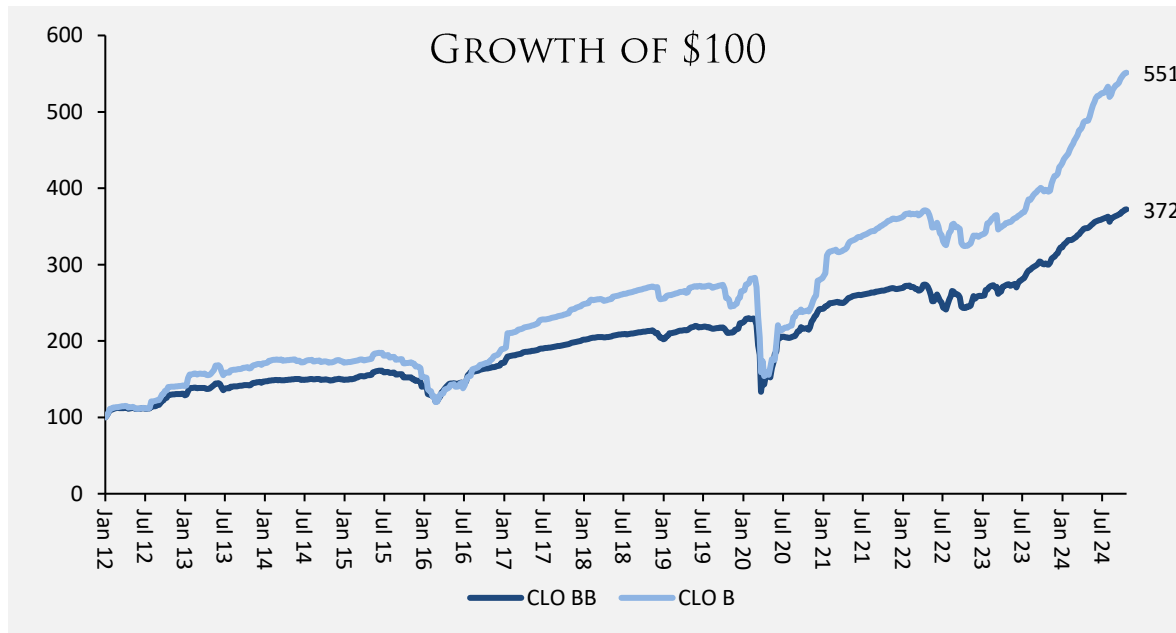
	BB	B
Historical Avg DM (bps) <sup>1</sup>	757	1048
52W Avg DM (bps) <sup>1</sup>	811	1289
Annualised Return <sup>1</sup>	11.1%	14.4%
52W Price Range <sup>1</sup>	87.5 – 96.8	68.0 – 77.0

**\$538mm**  
Monthly Trading Volume<sup>2</sup>

**\$10.5bn**  
2024 new issuance<sup>3</sup>

**2%**  
Average Bid Ask Spread

**\$44bn**  
Notes Outstanding<sup>3</sup>



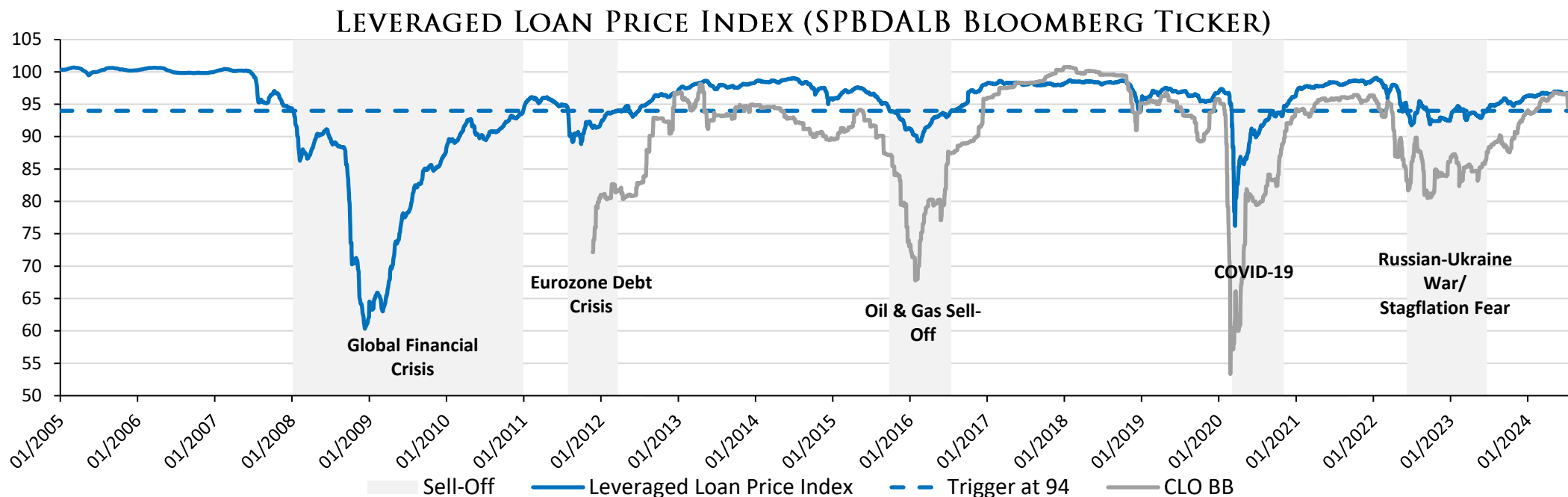
1: Period from Jan 2012 to Oct 2024, based on JPM CLO Index

2: Period from Jan 2018 to Oct 2024, includes only BWIC (Bid-Wanted-In-Competition) for US CLO BB and B-rated notes

3: Includes refi, reset and call & re-issue of US CLO BB and B-rated notes

# PERFORMANCE TRACK RECORD – VOLATILITY TRADING

## ▪ FUND ARCHITECTURE AND AGILE INFRASTRUCTURE GEARED TO TRADE VOLATILITY



### 1 YEAR RETURN OF ALL PDC INVESTMENTS MADE WHEN LOANS WERE TRADING BELOW 94 CENTS

Period	Loan Price Trigger Level	1Y IRR	1Y MM	Total Invested (mn)
2008 Jan - 2011 Jan	94%	162%	2.23	\$99.5
2011 Aug - 2012 Mar	94%	55%	1.49	\$30.1
2015 Oct - 2016 Jul	94%	52%	1.50	\$193.8
2020 Mar - 2020 Nov	94%	37%	1.36	\$272.7
2022 Jun - 2023 July	94%	31%	1.36	\$214.6

Sources: Pearl Diver Capital, Bloomberg



# PROPRIETARY QUANTITATIVE INFRASTRUCTURE - A KEY DIFFERENTIATOR

# THE PEARL DIVER EDGE

- **A DATA DRIVEN INFRASTRUCTURE COMPLEMENTS FUNDAMENTAL CREDIT ANALYSIS AND MACHINE LEARNING ALGORITHMS**

## PROPRIETARY DATA LAKE



Fully credit risk priced  
2,000+ leveraged loan  
database updated daily



Automated NLP based  
real-time CLO tranche  
trade data capture  
engine



Multi-stress cashflow  
library for 7000+ CLO  
tranches, updated daily



Scraped database of  
~150,000 CLO trustee  
reports updated daily

## PROPRIETARY MACHINE LEARNING ALGORITHMS



## OUTCOME



NAV preservation & credit  
loss minimisation



Agile relative value trading



Optimised portfolios for  
all-weather risk adjusted  
returns



Alpha captured from CLO  
manager style and  
performance analysis

# INFORMATION ADVANTAGE IN IDENTIFYING CREDIT TAIL RISK

- PROPRIETARY DATABASE COVERING ALL ~2,000 GLOBAL ISSUERS
- THREE CORE PILLARS TO CREDIT UNDERWRITING

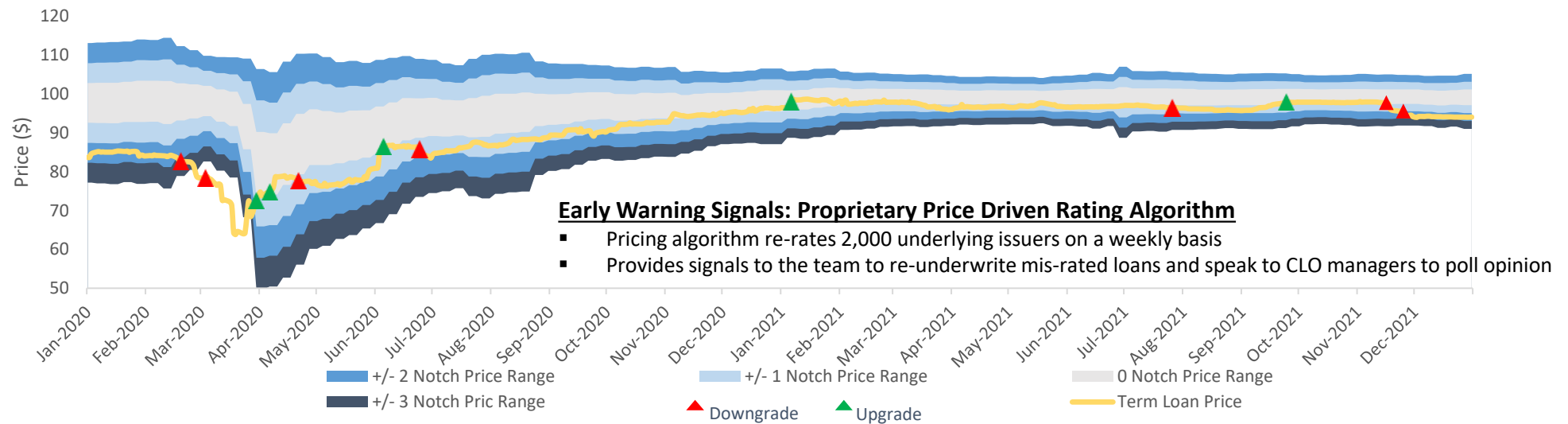
✓ Fundamental Credit Research

✓ Manager Meetings/Calls

✓ Loan price driven re-rating algorithm

- In depth bottom-up issuer analysis
- PDC proprietary watchlist highlighting tail risk
- Access to all ~110 managers including NDAs , 150+ manager/portfolio calls annually
- All monthly CLO trustee reports scraped for NAV/Credit loss data, to benchmark CLO manager performance

Rating Algorithm Output on a B2 Loan



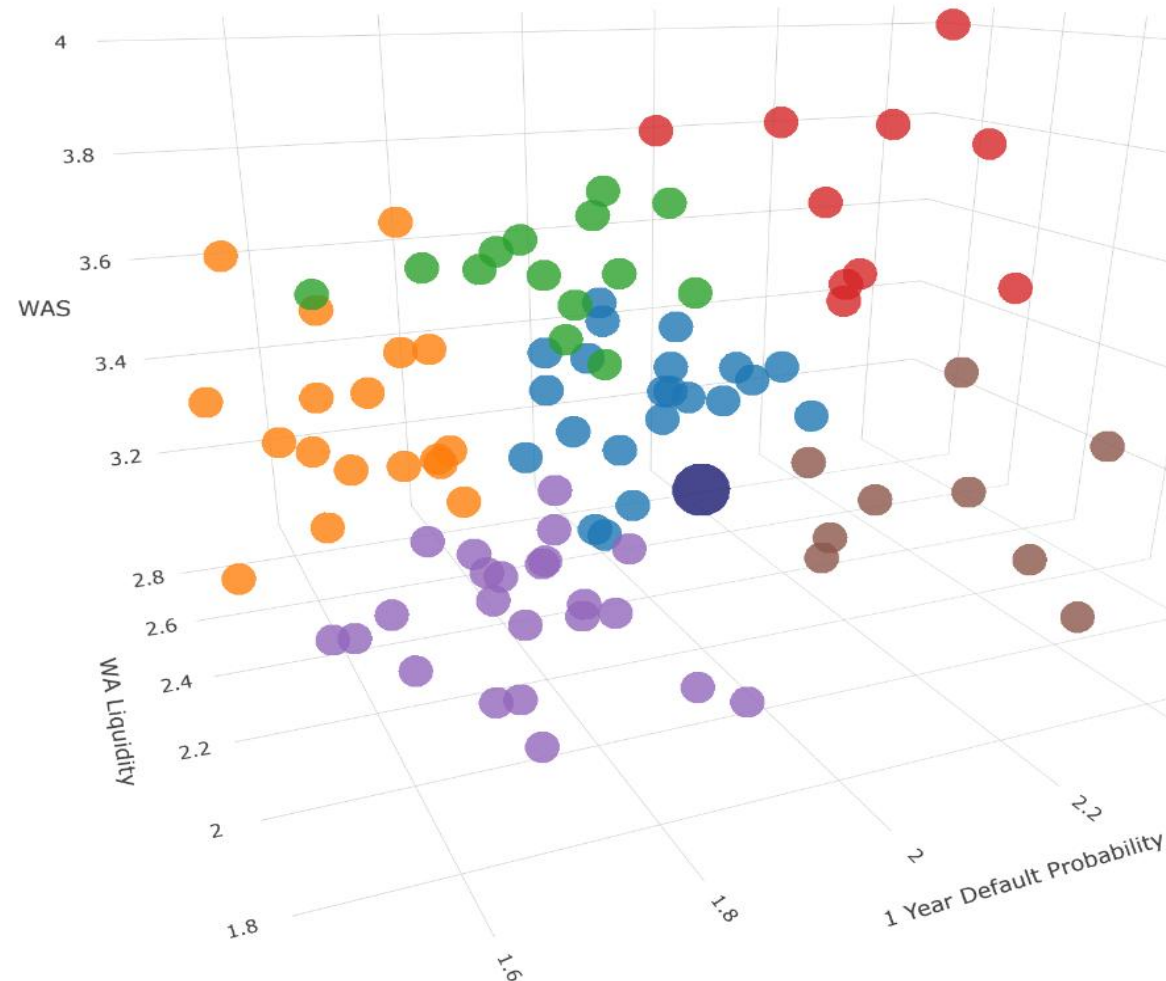
Source: Pearl Diver Capital



# CLO MANAGER STYLE / PERFORMANCE BENCHMARKING IN PORTFOLIO CONSTRUCTION

- **MANAGERS SEPARATED INTO 6 DISTINCT RISK/RETURN PROFILE CLUSTERS**
- **DIFFERENT STYLES PERFORM DIFFERENTLY BASED ON THE ECONOMIC CLIMATE**
- **“ALL WEATHER” PORTFOLIO CONSTRUCTION TO OUTPERFORM ON BOTH NAV AND DISTRIBUTIONS**

- Mid-CDR Mid-Liquid
- Illiquid Low-CDR
- Mid-CDR Illiquid High Spread
- Illiquid High-CDR
- Liquid Low-CDR
- Liquid High-CDR
- Pearl Diver

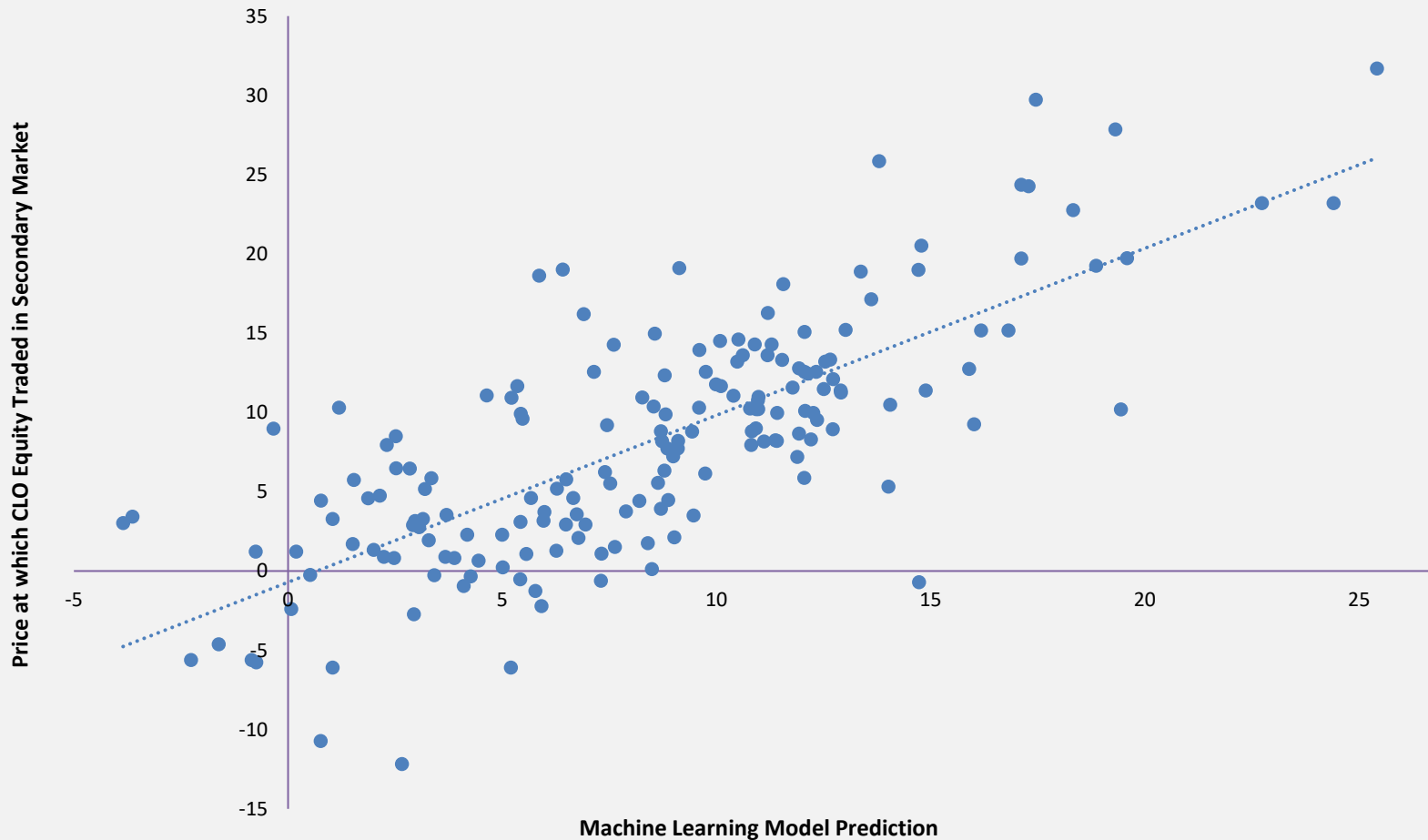


Source: Pearl Diver Capital

# PROPRIETARY MACHINE LEARNING DRIVEN CLO EQUITY VALUATION TECHNOLOGY

- **WE PRICE THE ENTIRE CLO EQUITY MARKET DAILY BASED ON THE LATEST TRADING DATA**
- **ALLOWS BENCHMARKING OF OUR FAIR VALUATIONS AGAINST LIKELY MARKET ENTRY AND EXIT PRICES**

PRICE PREMIUM TO NET ASSET VALUE OF CLO EQUITY TRANCHE



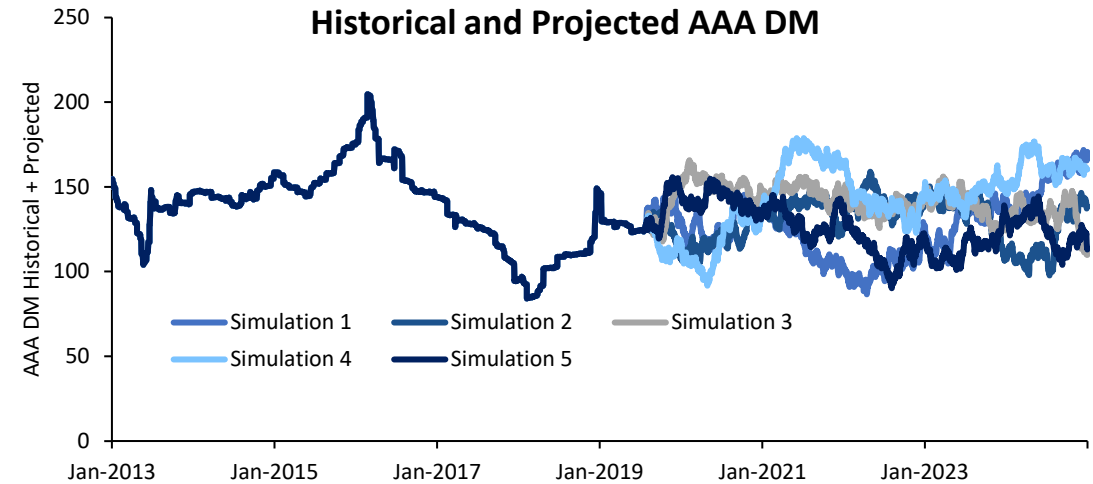
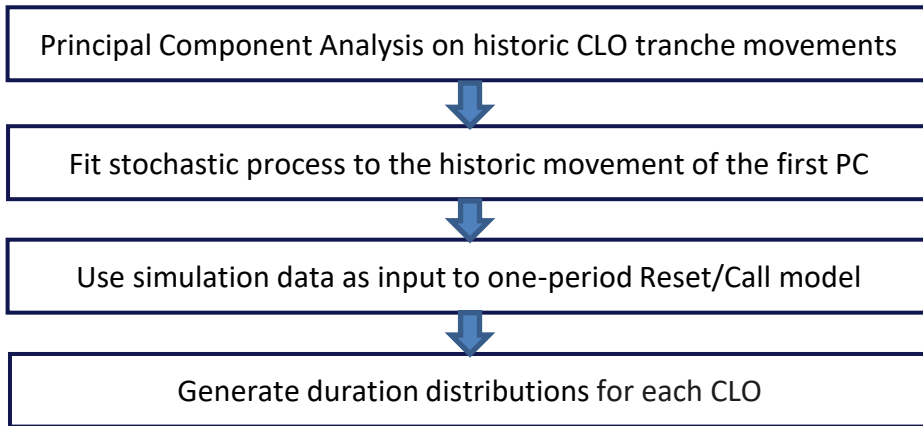
Projects CLO equity prices based on the last 7 months of observed trading

Machine Learning algorithms run on the data to project where any other CLO is likely to trade relative to its NAV

Correlation between the MPT prediction and actual prices is 76%

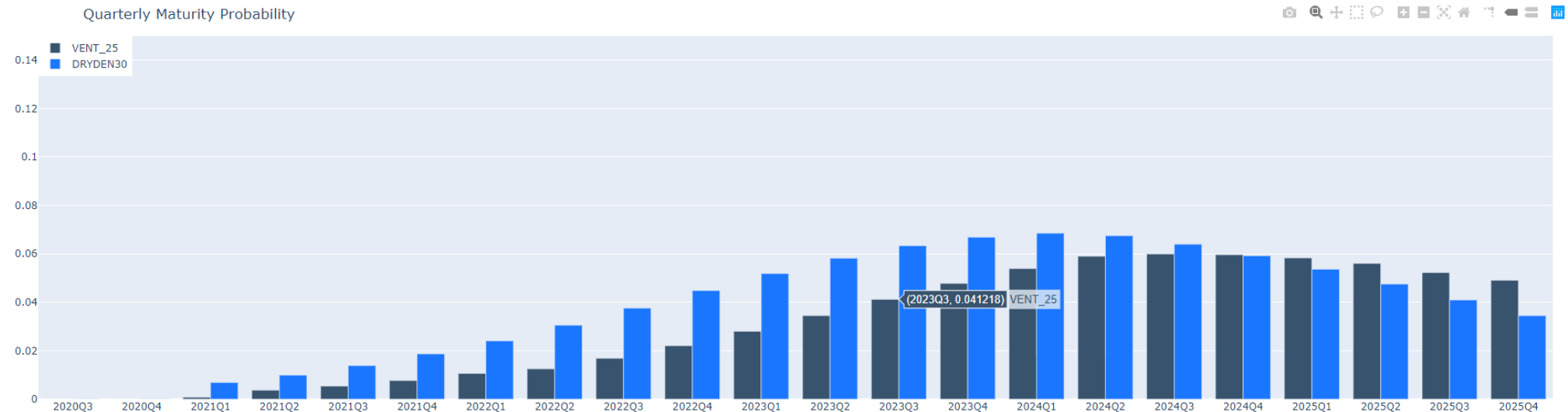
# PROPRIETARY CLO DURATION MODEL TO CAPTURE CLO MEZZANINE CONVEXITY

- **MODELLING MATURITY IS THE KEY PART OF CLO MEZZANINE MODELLING.**
- **DURATION MODEL GENERATES PROBABILITY MASS FUNCTION FOR CLO CALLS/RESETS**



VENT\_25

DRYDEN30

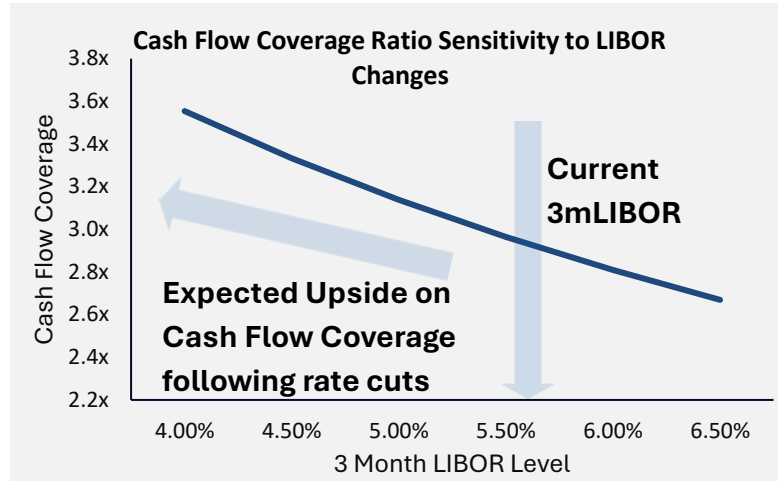
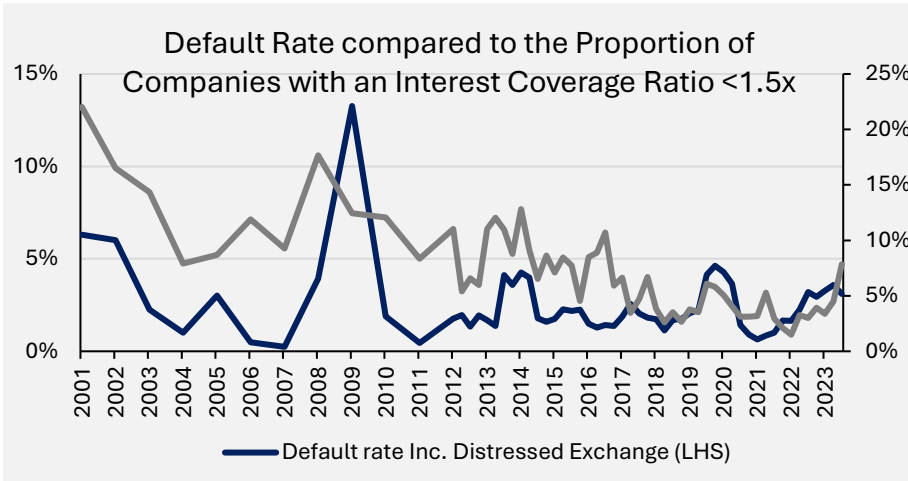




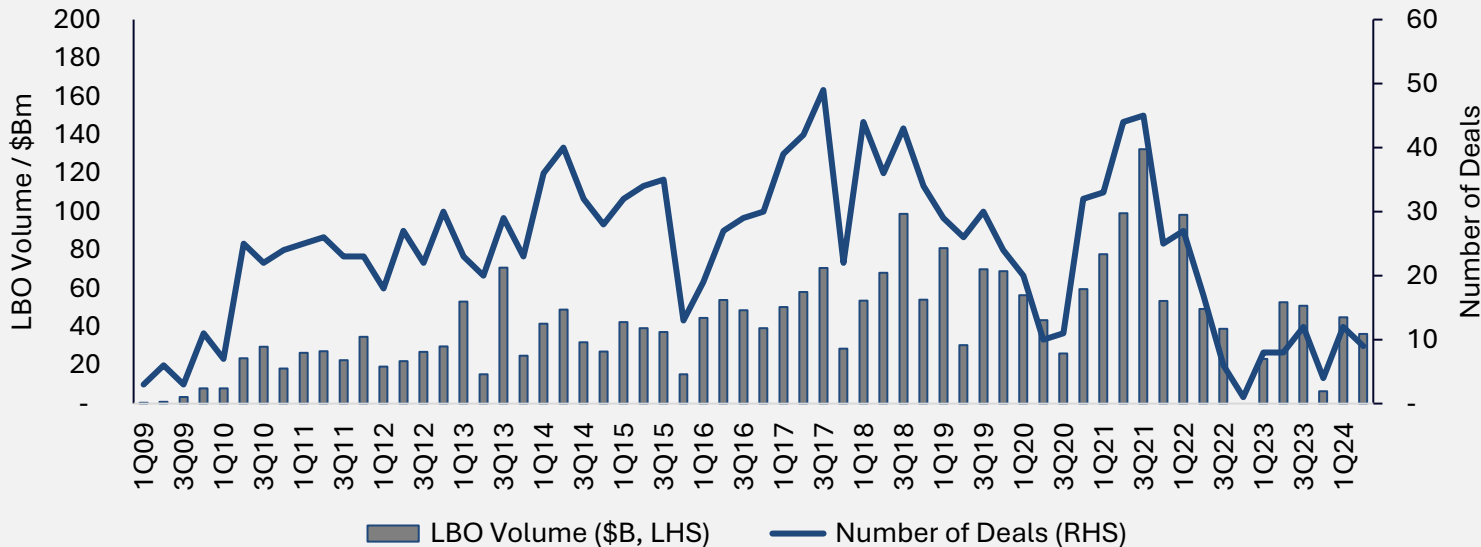
# MARKET OVERVIEW

# CLOS IN FALLING RATE ENVIRONMENT

- Impact of reduced rates on CLO equity can be alleviated by reduced interest pressure on loans, boosting returns



Total US LBO Transaction Volume

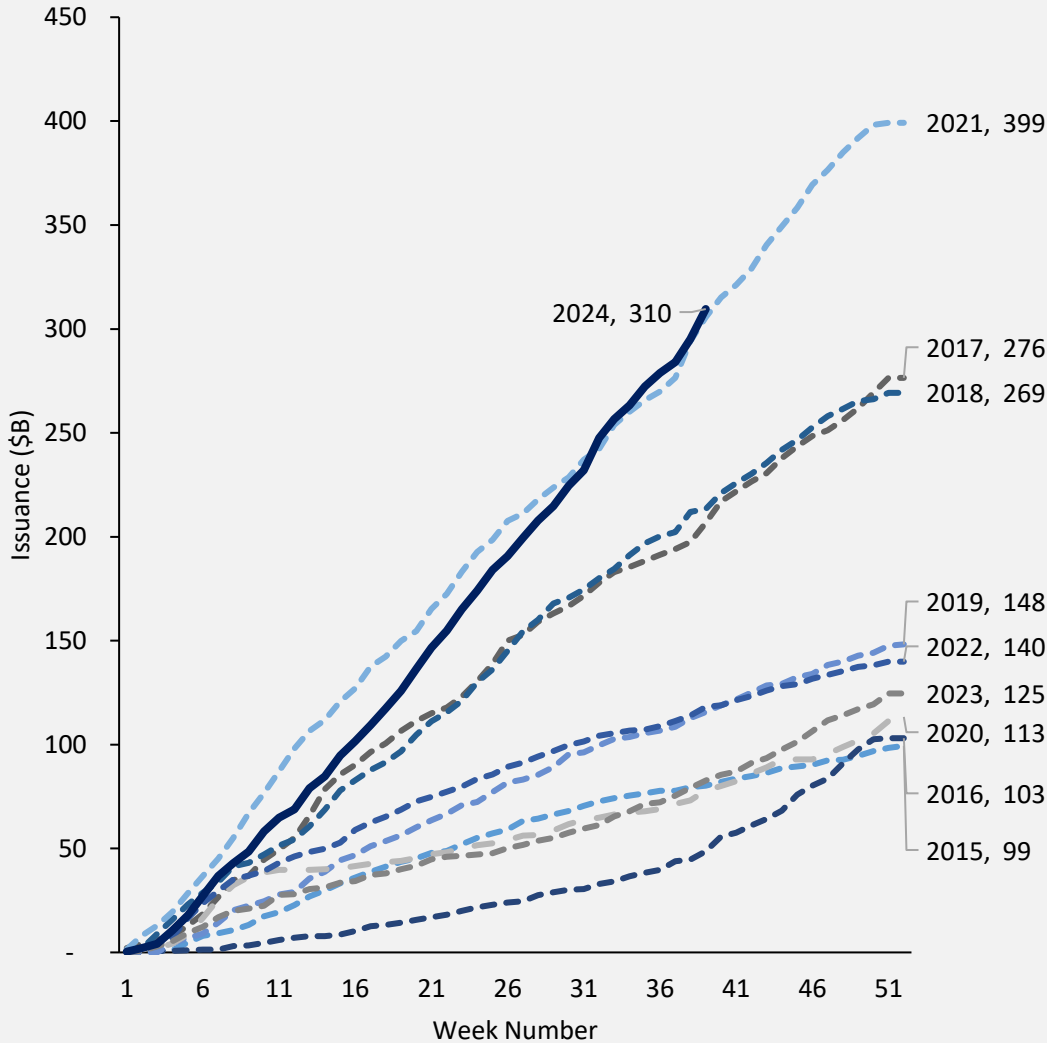


- Reduced rates can encourage M&A activity, increasing feedstock for CLOs
- 3Q24 New Issue loan volume at highest level since 1Q22
- Credit quality of underlying loans in CLOs can be increased

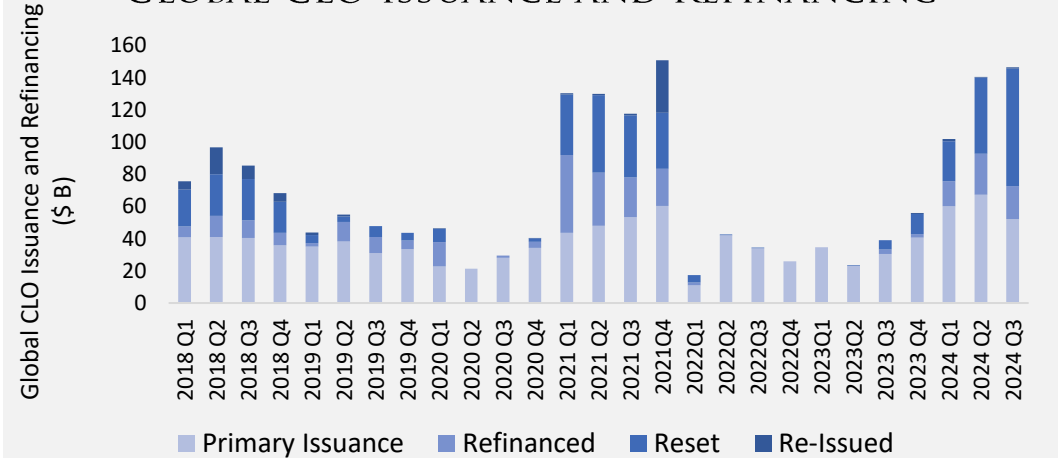
Source: PitchBook LCD, Pearl Diver

# CLO ISSUANCE AND MARKET SIZE

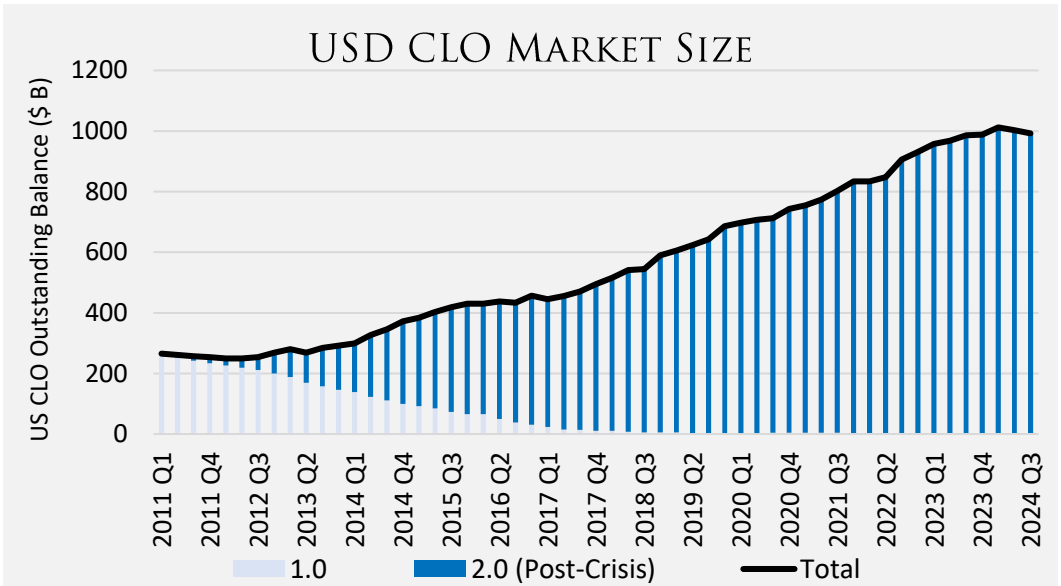
## GLOBAL CLO ISSUANCE BY YEAR



## GLOBAL CLO ISSUANCE AND REFINANCING



## USD CLO MARKET SIZE

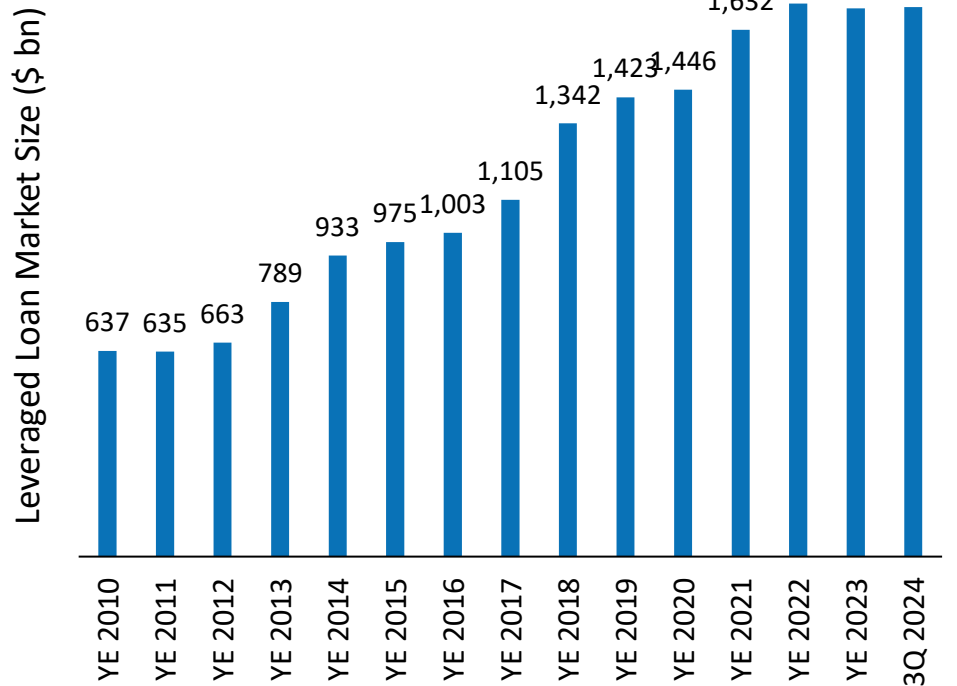


Source: JP Morgan 2024 YTD Issuance Package, Pearl Diver

# LOAN MARKET SIZE

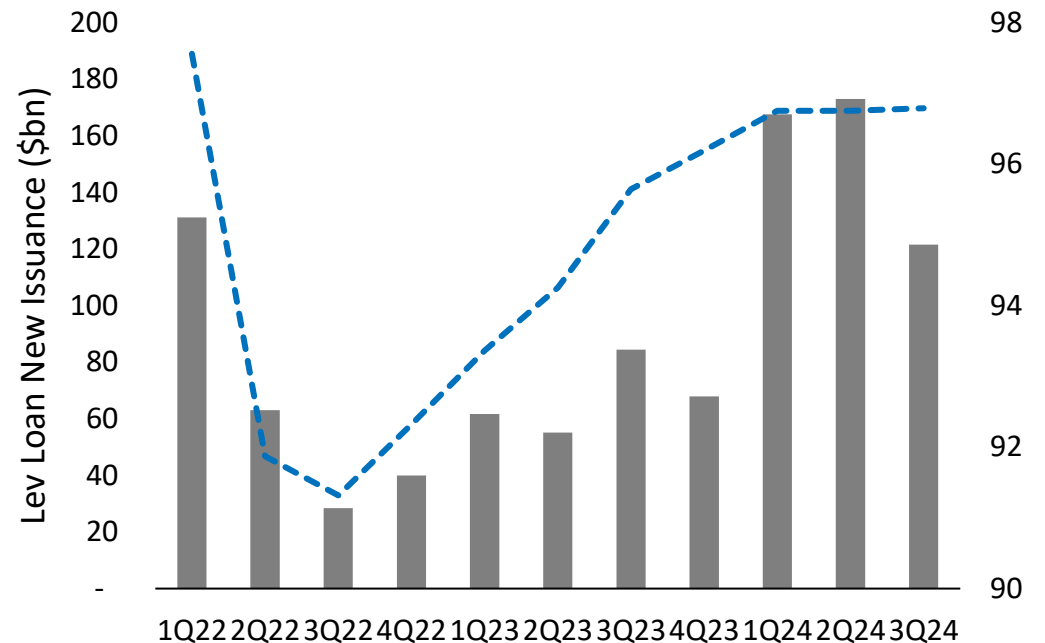
- **THE GLOBAL LOAN MARKET REMAINS FLAT AT \$1.7 TRILLION OUTSTANDING**
- **IN 3Q24, ISSUANCE SHIFTS TO M&A/LBO ACTIVITIES**
- **ROBUST CLO ISSUANCE SUPPORTS SECONDARY LOAN PRICES**

## GLOBAL LEVERAGED LOAN MARKET SIZE



■ Global Total Outstanding (\$ bil)

## GLOBAL LEV LOAN NEW ISSUANCE (\$BN) AND LL PRICES



■ Global Loan New Issuance (\$Bn)

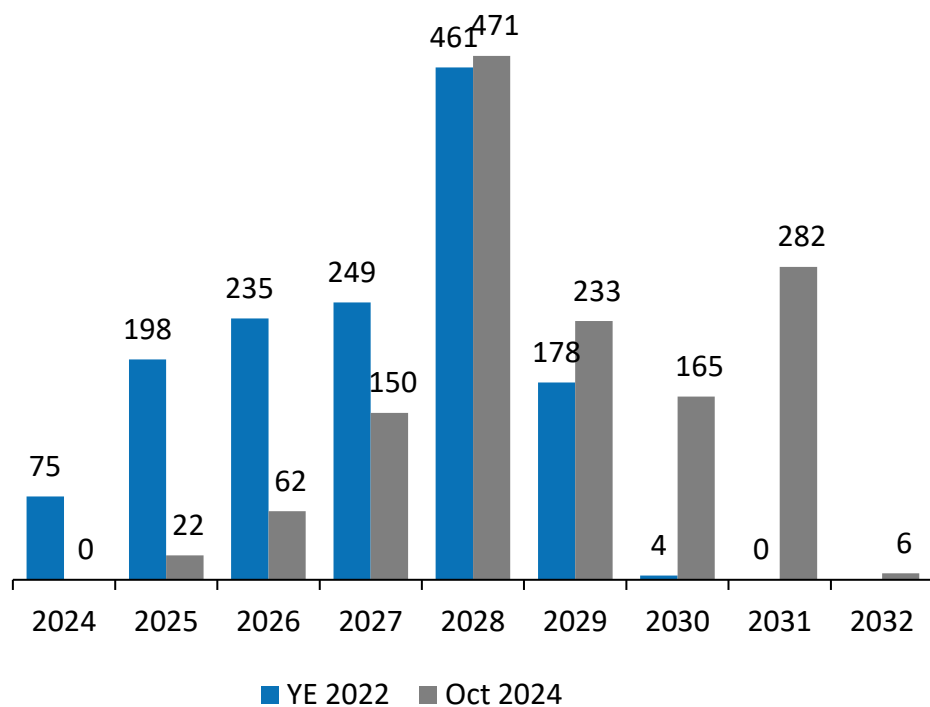
--- Global Loan Prices (RHS)

Sources: S&P/LSTA Leveraged Loan Index

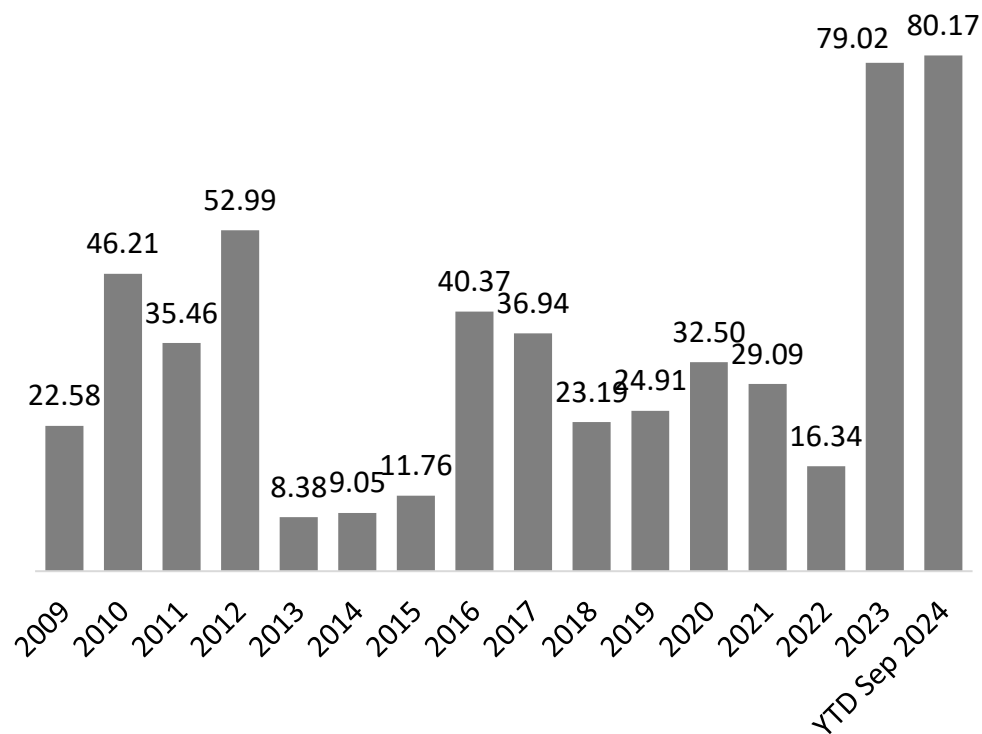
# MARKET DYNAMICS

- **DESPITE ELEVATED INTEREST RATES, COMPANIES HAVE CONTINUED TO REFINANCE THEIR DEBT MATURITIES**
- **THE MATURITY WALL HAS BEEN SIGNIFICANTLY PUSHED TO THE RIGHT COMPARED TO 2022, WITH MOST 2025/26 MATURITIES ADDRESSED**

US LEVERAGED LOAN MATURITY WALL (\$B)



US INSTITUTIONAL A&E LOAN VOLUME (\$B)



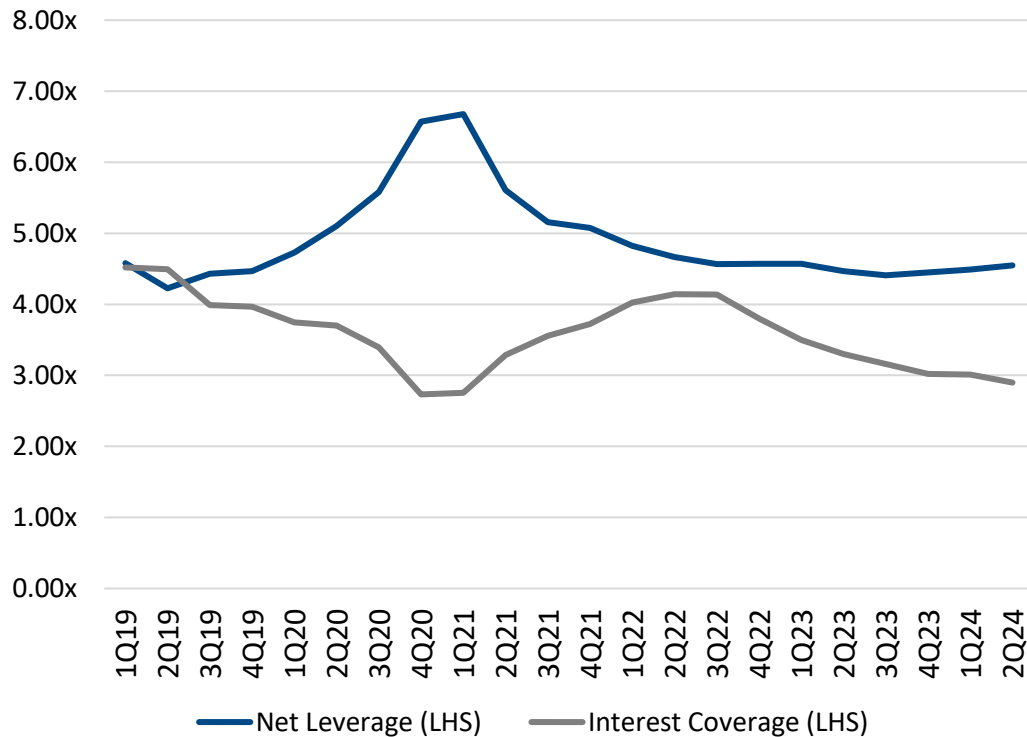
Source: S&P LCD, Moody's Investor Service



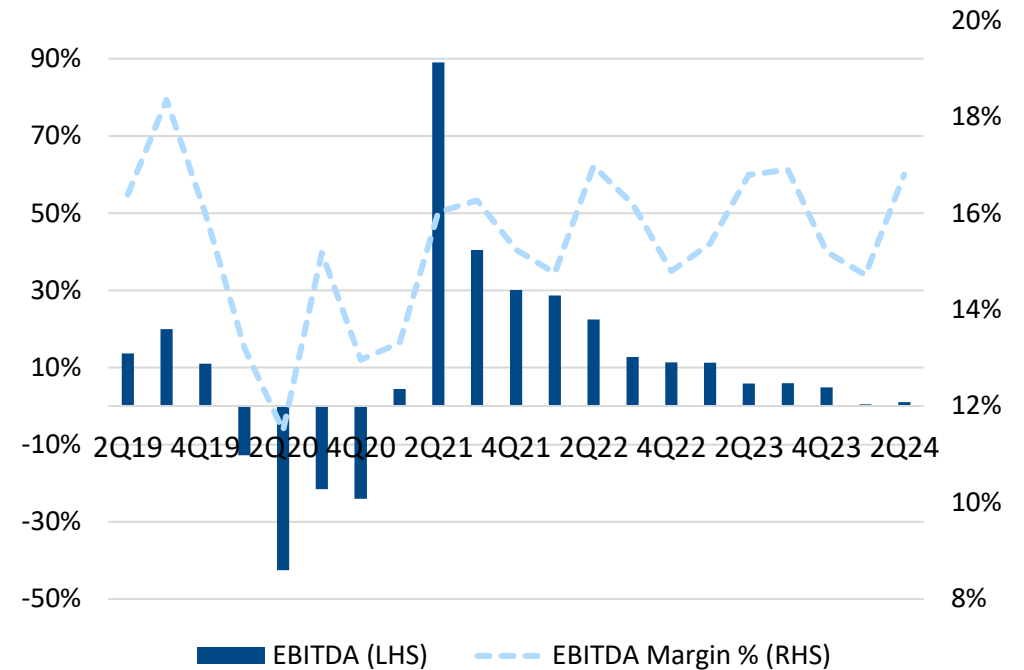
# CREDIT FUNDAMENTALS – ABILITY TO SERVICE DEBT, LEVERAGE & EARNINGS GROWTH

- **INTEREST COVERAGE RATIOS AT +2.9X DEMONSTRATE ON AVERAGE ISSUER’S ABILITY TO SERVICE DEBT DESPITE HIGHER INTEREST RATES**
- **LEVERAGE MULTIPLE REMAINS AT A HEALTHY LEVEL**
- **POSITIVE EARNINGS GROWTH BUT AT A SLOWER PACE, MARGINS OVERALL SHOW AN UPWARD TREND**

## US LOAN NET LEVERAGE VS. INTEREST COVERAGE



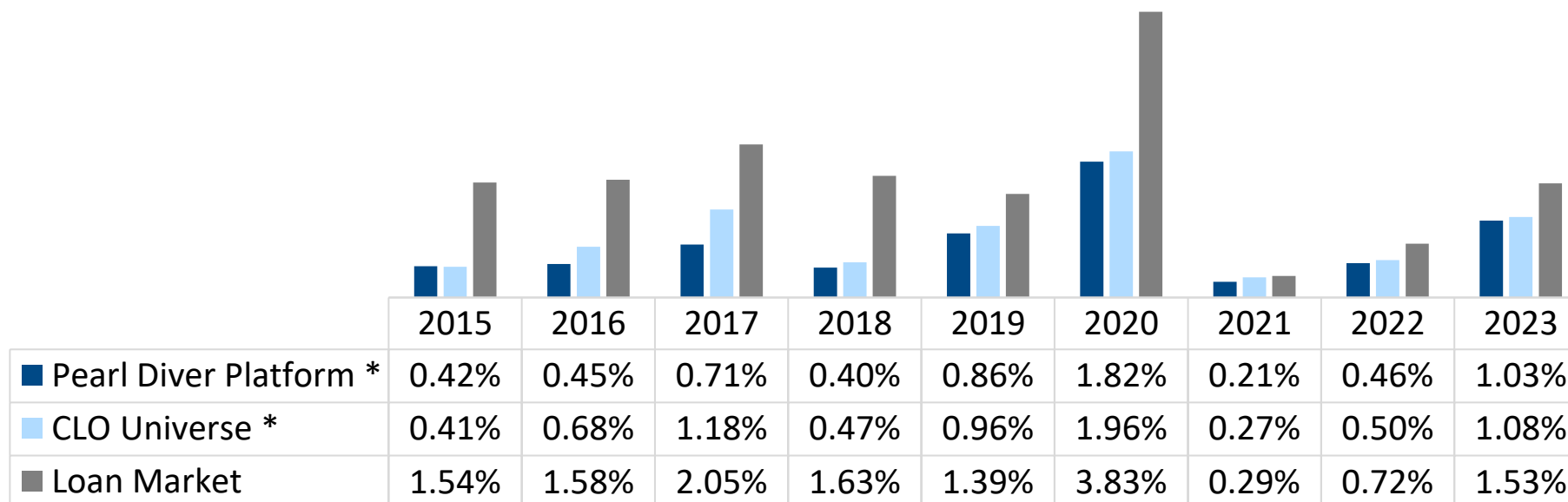
## US LOAN QUARTERLY EBITDA GROWTH YoY VS. EBITDA MARGIN



# CREDIT PERFORMANCE TRACK RECORD

- **PEARL DIVER HAS CONSISTENTLY OUTPERFORMED THE CLO AND LOAN MARKET**

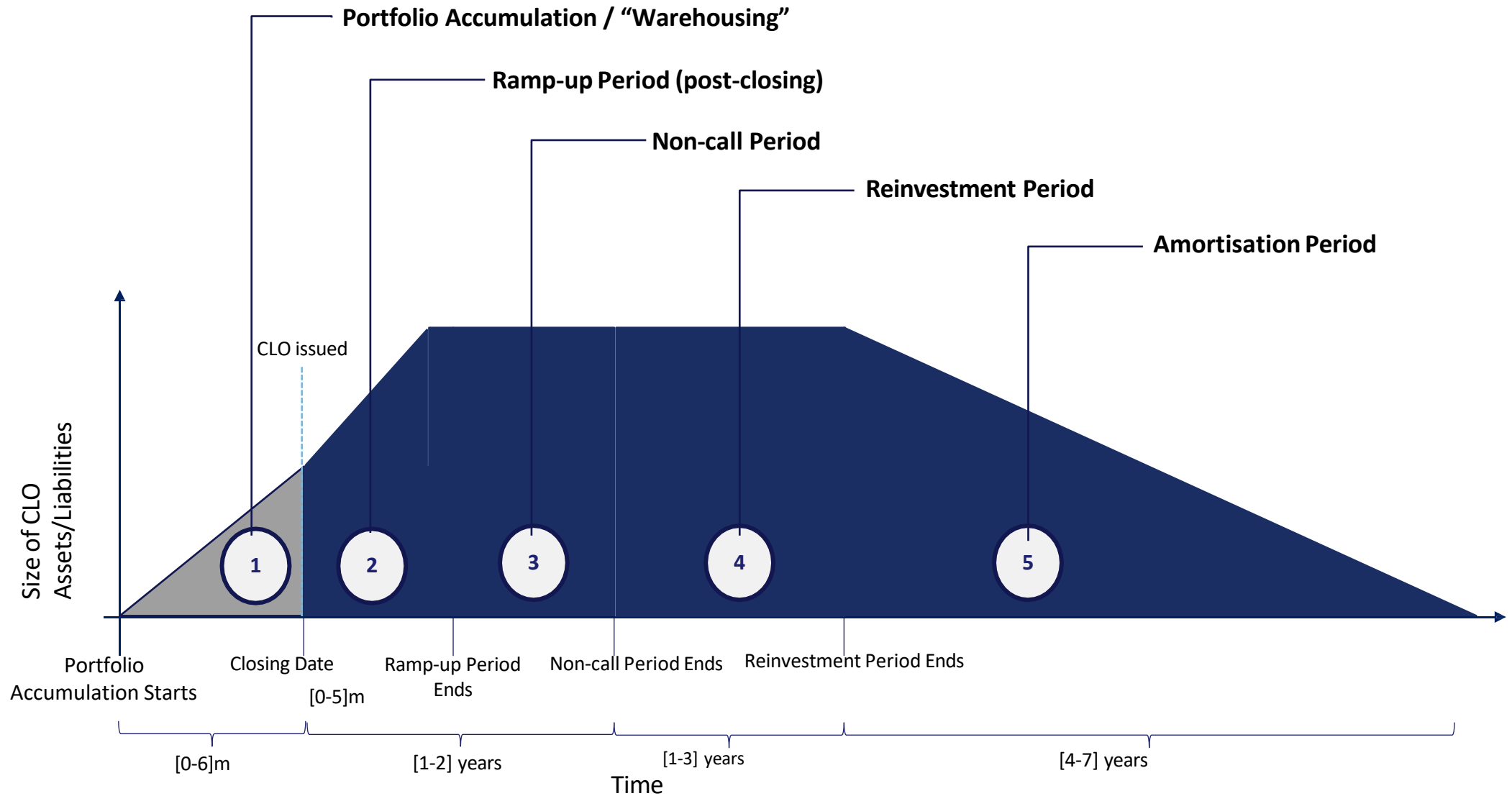
## HISTORICAL ANNUALISED DEFAULT RATE PERFORMANCE



\*Annual default rates are adjusted by CLO vintage

Sources: Pearl Diver Capital

# CLO LIFE-CYCLE



# TRANSACTION PARTICIPANTS

## Underwriter

- Structures the transactions
- Underwrites and distributes securities
- No official function post-closing

Morgan Stanley



## Collateral Manager

- Selects initial portfolio and manages it on an ongoing basis
- Frequently invests in the equity in order to ensure alignment of incentives

PIMCO



## Rating Agencies

- Assigns credit ratings to the CLO securities
- Monitors the transaction through its life

MOODY'S

S&P Global  
Ratings

## Trustee

- Custodies the assets on behalf of the CLO and its investors
- Collects cash from assets and makes payments on securities
- Provides monthly portfolio reports

  
BNY MELLON

 **BNP PARIBAS**