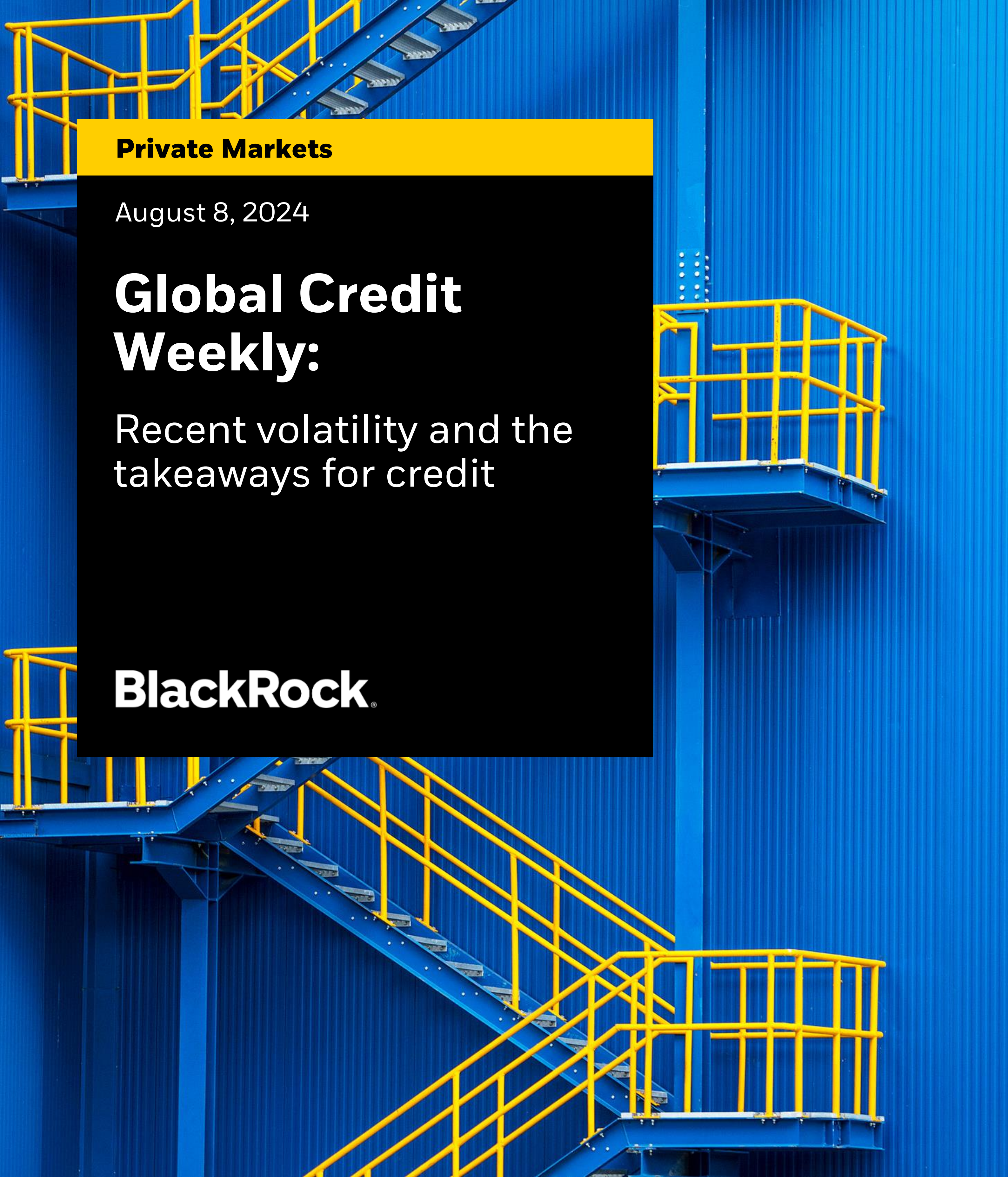


Private Markets

August 8, 2024

Global Credit Weekly:

Recent volatility and the takeaways for credit

BlackRock

FOR QUALIFIED, PROFESSIONAL, INSTITUTIONAL AND WHOLESALE INVESTORS/ PROFESSIONAL CLIENTS ONLY | NOT FOR PUBLIC DISTRIBUTION

Market insights contributors

Amanda Lynam, CPA

Head of Macro Credit Research,
Portfolio Management Group –
Private Markets

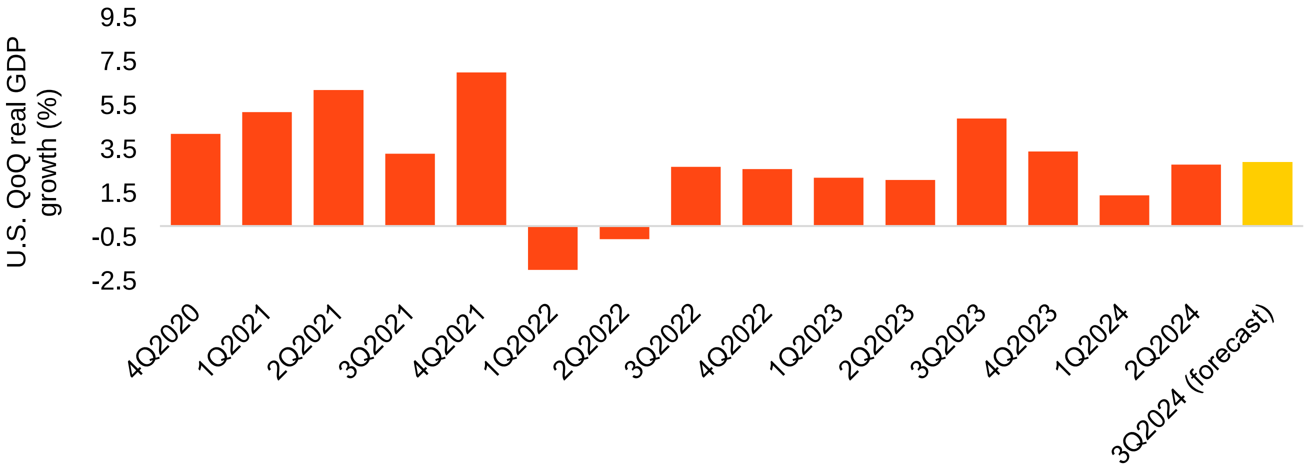
Dominique Bly

Macro Credit Research Strategist,
Portfolio Management Group –
Private Markets

Key takeaways

- A combination of headwinds (outlined within) seemingly collided over the past few trading sessions to drive significant volatility in global interest rate and risk asset markets. Among the most cited concerns was growing potential for a sharp deterioration in the U.S. economy.
- Our colleagues in the *BlackRock Investment Institute* view such U.S. recession fears as "overdone," and instead characterized the recent U.S. economic data as more consistent with a "slowdown than a recession." This view was echoed in some recent "Fed speak". And perhaps most notably, 3Q2024 U.S. real GDP growth – as tracked by the Atlanta Fed's GDPNow tool – stood at a healthy +2.9% as of August 6th (Exhibit 1).
- In this *Global Credit Weekly*, we address a few of the direct implications from recent volatility for corporate credit investors, including those related to: (1) the forward path for **U.S. monetary policy**, (2) **private credit's** certainty of execution and flexibility, which is valuable in such periods of market disruption, and (3) a range of factors in **public debt markets**, including the modest repricing of spread valuations, an update on near-term maturity walls (which are very low, driven by a proactive approach to pre-funding and refinancing), the swift acceleration in USD IG new issue activity, and the leveraged loan vs. HY bond asset allocation decision, given the rate moves.
- Prior to this week, we had been expecting a "shallow" and gradual rate cutting cycle in the U.S., which would have left the prospect of material, near-term interest rate relief as unlikely (for corporates and consumers). But recent softening in the U.S. labor market suggests potential for a somewhat quicker and deeper rate cutting cycle, relative to our previous expectations.
- Significant monetary policy *easing* in response to a sharply deteriorating economy would likely be accompanied by much wider spreads (even after recent moves). By contrast, we view monetary policy *normalization* in response to slowing (but still solid) growth and ongoing improvement in inflation as a much more supportive backdrop for sentiment in the corporate credit market.

Exhibit 1: U.S. growth is still tracking at an *above-trend* pace
Quarter-over-quarter U.S. real GDP growth (%), seasonally adjusted at an annualized rate



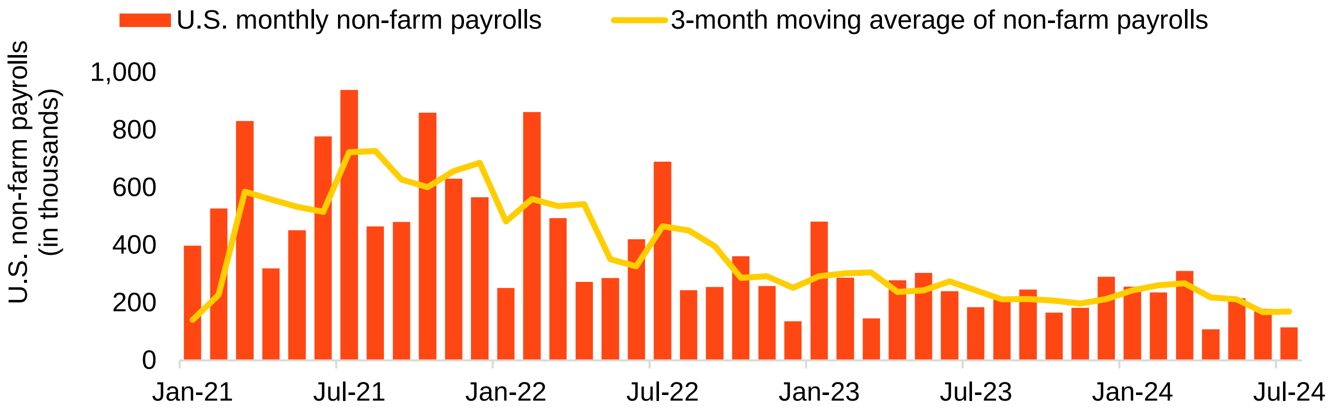
Source: BlackRock, Bureau of Economic Analysis. 3Q2024 forecast uses the Atlanta Fed "GDPNow" estimate as of August 6, 2024.
There can be no guarantee any forecasts will come to pass.

A mix of headwinds weigh on risk assets

A combination of headwinds seemingly collided over the past few trading sessions to drive significant volatility in global interest rate and risk asset markets. Among the most cited factors, per our conversations, were:

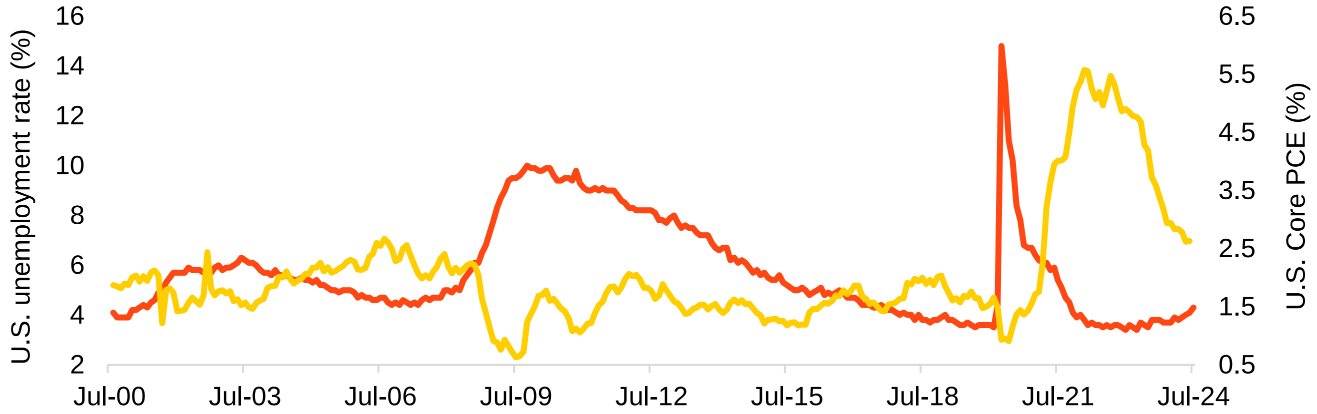
- (1) concerns of a slowdown in the U.S. economy, given weaker-than-expected July ISM manufacturing PMI and July non-farm payrolls data (Exhibits 2 and 3)
- (2) anecdotal comments from a wide range of consumer-facing companies during 2Q2024 earnings season, highlighting ongoing "choiceful" and "value-seeking" spending behavior among the lower-income consumer cohorts (although this is hardly a new theme and has been a topic of discussion for months)
- (3) concerns among some market participants regarding potential delays in the "monetization" opportunity from recent, significant capex spending on artificial intelligence
- (4) persistent (and at times, escalating) geopolitical tensions in regions such as the Middle East, and
- (5) potential positioning and technical-related factors, which may have exacerbated some of the recent market movements. While observable in historically sharp moves in USDJPY and Japan's equity market following the July 31st rate hike from the Bank of Japan, this remains difficult to quantify.

Exhibit 2: After the July report, the 3-month moving average of non-farm payrolls is 169k
U.S. monthly non-farm payrolls and the three-month moving average (both in thousands)



Source: Bureau of Labor Statistics, Bloomberg, BlackRock. Captures data through July 31, 2024 (most recent as of August 7, 2024).

Exhibit 3: The unemployment rate increased to 4.3% in July 2024, vs. 3.4% in April 2023
U-3 U.S. unemployment rate (%) seasonally adjusted, and year-over-year U.S. Core PCE inflation (%) seasonally adjusted, RHS



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, BlackRock. Captures unemployment rate data through July 31, 2024, and Core PCE data through June 30, 2024 (both most recent as of August 6, 2024).

Slowing growth and job creation, not a recession

Related to point #1, our colleagues in the *BlackRock Investment Institute* view such U.S. recession fears as "overdone," and instead characterized the recent U.S. economic data as more consistent with a "slowdown than a recession." Even more notable in our view, is the fact that 3Q2024 U.S. real GDP growth – as tracked by the Atlanta Fed's GDPNow tool – stood at a healthy +2.9% as of August 6th (Exhibit 1).

Recent "Fed speak" has (unsurprisingly) been closely watched following the data releases of the past few days. San Francisco Fed President Mary Daly gave an interview on August 6th, where she noted "underneath the hood of the labor market report there is a little more room for confidence…that we are slowing but not falling off a cliff." Reasons cited by President Daly included:

(1) time lags between when immigrants enter the U.S. and when they find jobs,

(2) the distinction between *a slower pace of hiring* and *widespread layoffs* (which have the potential to weigh more heavily on economic activity and are still relatively isolated, per Daly and a range of economic data), and

(3) within layoffs, the higher skew towards temporary (vs. permanent) actions.

The implications for corporate credit investors

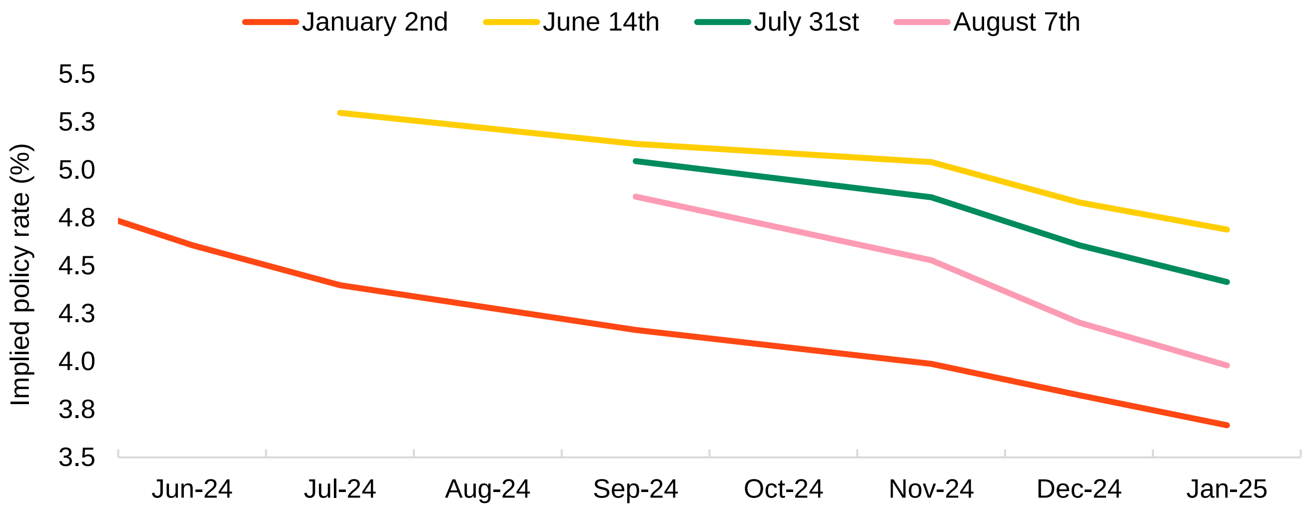
In this *Global Credit Weekly*, we highlight takeaways from recent market volatility across multiple fronts:

(1) Macro / U.S. monetary policy considerations: Relative to a week ago (immediately following the July FOMC), we now see more urgency in the Fed's "reaction function" to normalize monetary policy – a view that is also reflected in market pricing (Exhibit 4).

(2) Private credit markets: The recent volatility is a reminder of two important features of private credit: the certainty of execution/pricing in financing, and lower observed volatility relative to public markets. Beyond providing an opportunity to deploy capital to credit-worthy borrowers during periods of market dislocations, we also view the growth of the private credit market (as a viable funding option for a wide range of companies) as a positive for overall financial stability.

(3) Public (syndicated) corporate credit markets: Spreads have widened to reflect greater risk premia. But most corporate balance sheets have generally entered this period from a position of fundamental resilience (see Appendix for specific leverage and coverage statistics, by asset class and rating cohort), owing to proactive pre-funding and refinancing activity in recent quarters. The HY vs. leveraged loan allocation decision will remain topical, given the forward path of rates.

Exhibit 4: Markets have repriced the path of U.S. monetary policy multiple times this year
The U.S. monetary policy rate implied by Fed Funds Futures, through early 2025



Source: BlackRock, Bloomberg. As of January 2, June 14, July 31, and August 7, 2024. **There can be no guarantee any forecasts may come to pass.**

We expect more urgency in the Fed's reaction function

Prior to this week, we had been expecting a "shallow" and gradual rate cutting cycle in the U.S., which would have left the prospect of material, near-term interest rate relief as unlikely (for corporates and consumers). But recent softening in the U.S. labor market suggests potential for a somewhat quicker and deeper cycle, relative to our previous expectations.

The July non-farm payroll data indicates the cooling in the U.S. labor market has now gone beyond the level of "rebalancing to the pre-pandemic period." In our view, this increases the Fed's urgency to begin a rate cutting cycle at the next FOMC meeting in September (17th and 18th). While this was already a high probability (per market pricing), the recent events seem to have cemented the case for a cut, in our view.

As for the pace and magnitude of cuts: market pricing is currently reflecting 130bp of rate cuts through January 2025, including a high probability of a 50bp cut at the September meeting (again, Exhibit 4).

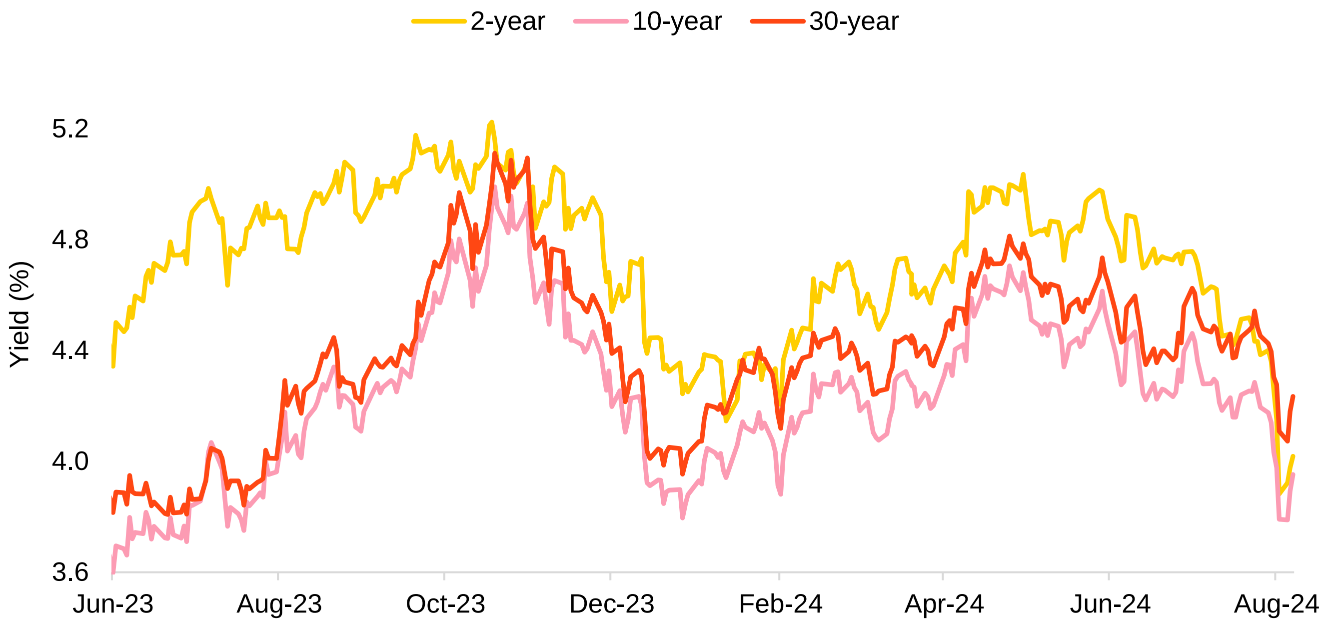
Whether the Fed cuts by the "standard" 25bp or larger 50bp increment in September will likely be a function of incoming data, including the August payrolls (released early September). As recently as the July 31st FOMC press conference, Chair Powell said the Committee was not considering a 50bp rate cut and pushed back on the use of certain recession indicators (such as the widely referenced "Sahm rule"). But recent data may very well introduce a greater sense of urgency to normalize policy, now that the Fed's dual mandate of price stability and maximum employment is in better balance (again, Exhibit 3).

Barring some sort of exogenous negative shock to the economy, we view an inter-meeting cut (which was discussed by some market participants late last week and earlier this week) as highly unlikely given the broader set of economic data, ongoing functioning of credit markets (discussed later) and recent public comments from Fed officials. Commentary at the upcoming Jackson Hole Economic Policy Symposium (August 22nd – 24th) will also be important to watch, in our view, for clues on the pace and depth of future rate cuts.

That said, the *drivers* behind future rate cuts remain important, as we have emphasized previously. Monetary policy *easing* in response to a sharply deteriorating economy (again, not our base case) is likely to be accompanied by much wider spreads (even after the recent moves). By contrast, monetary policy *normalization* in response to slowing (but still solid) growth and ongoing improvement in inflation would be much more supportive for sentiment in the corporate credit market, in our view.

Exhibit 5: U.S. Treasury yields have retraced a portion of their recent declines

Yield-to-worst of the 2-year, 10-year and 30-year U.S. Treasuries (on-the-run securities, mid levels)



Source: BlackRock, Bloomberg. As of August 7, 2024. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

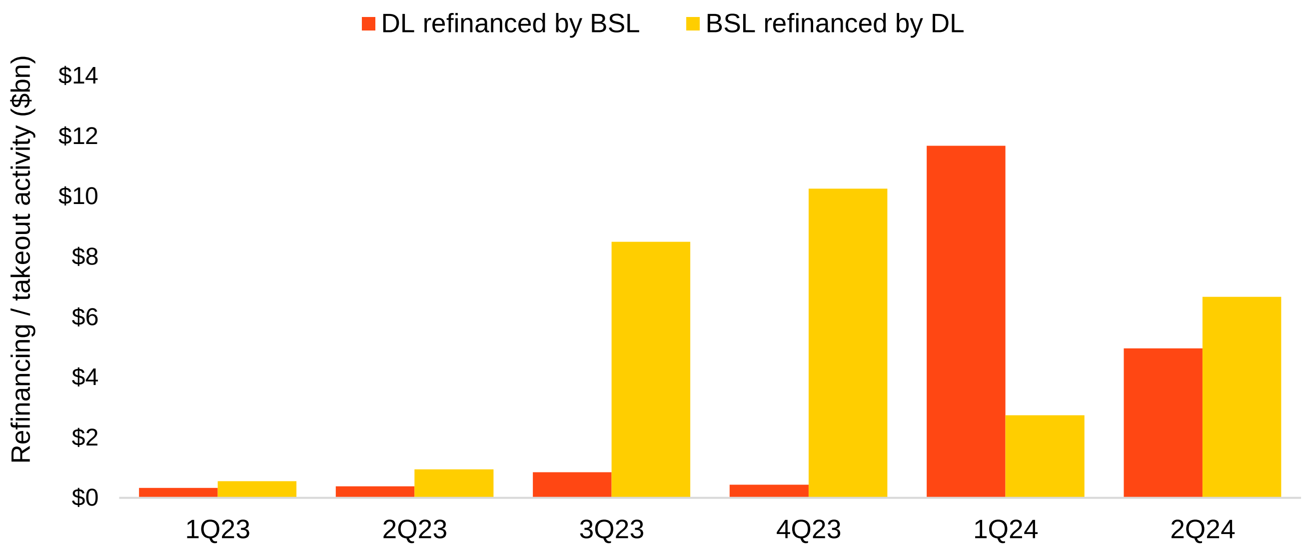
Recent market volatility: implications for private credit

We see three primary implications and takeaways for the USD private credit market:

- **Certainty of execution is a strong advantage in certain market environments.** First and foremost, the recent volatility highlights just how quickly the conditions in the primary and secondary public (i.e., syndicated) debt markets can shift. Any *extended* period of disruption in the syndicated debt markets – if it materializes – may present an additional opportunity for private credit to deploy capital to credit worthy borrowers caught in a market dislocation. This is because private credit transactions are directly negotiated between the borrower and one lender (or a small group of lenders) and do not rely on syndication to a wide range of investors (which can become more risk averse during times of market volatility). And because they involve only a small group of lenders, private credit financings can often include more flexibility and customization. In other words, private credit markets may offer certainty of execution and clarity on pricing when subsets of the public markets may not.
- **The private credit funding option is a positive for financial stability.** Beyond the near-term opportunities for capital deployment and investment, we also view the growth and availability of private credit as a positive for overall financial stability. Having private credit as a viable funding option for a wide range of companies provides financing diversification alongside the two traditional lending channels: banks and public debt markets. As we have discussed previously, this is one reason, in our view, why the default rate for USD HY bonds and leveraged loans has remained relatively contained so far in this cycle, relative to what might otherwise be suggested given 525bp of Fed rate hikes (since March 2022) and the tightening in bank lending standards. We expect the "financing mix" within the USD leveraged finance market will continue to ebb and flow between public and private credit, as it has during previous periods of market dislocation (as recently as 2H2023; Exhibit 6).
- **The growth backdrop remains the critical metric to watch.** While the market volatility over the past few sessions has felt pronounced, the data shows the U.S. economy and labor market are slowing, not cratering. In fact, 3Q2024 US real GDP is tracking at an above-trend pace of +2.9% as of August 6th (per the Atlanta Fed's GDPNow tracker). The employment backdrop is also far from distressed, with positive payrolls growth (not negative) and an unemployment rate of 4.3% (although the pace of deterioration from the local trough of 3.4% does warrant close monitoring; again, Exhibits 2 and 3). As we detailed in the *3Q2024 Global Credit Outlook*, a trend pace of growth (or ideally, above trend) is a key ingredient for credit (both public and private) to continue to demonstrate the resilience it has over the past few quarters.

Exhibit 6: The financing mix between the public (syndicated) and private credit markets will continue to ebb and flow

Broadly syndicated leveraged loan (BSL) and direct lending (DL) takeouts



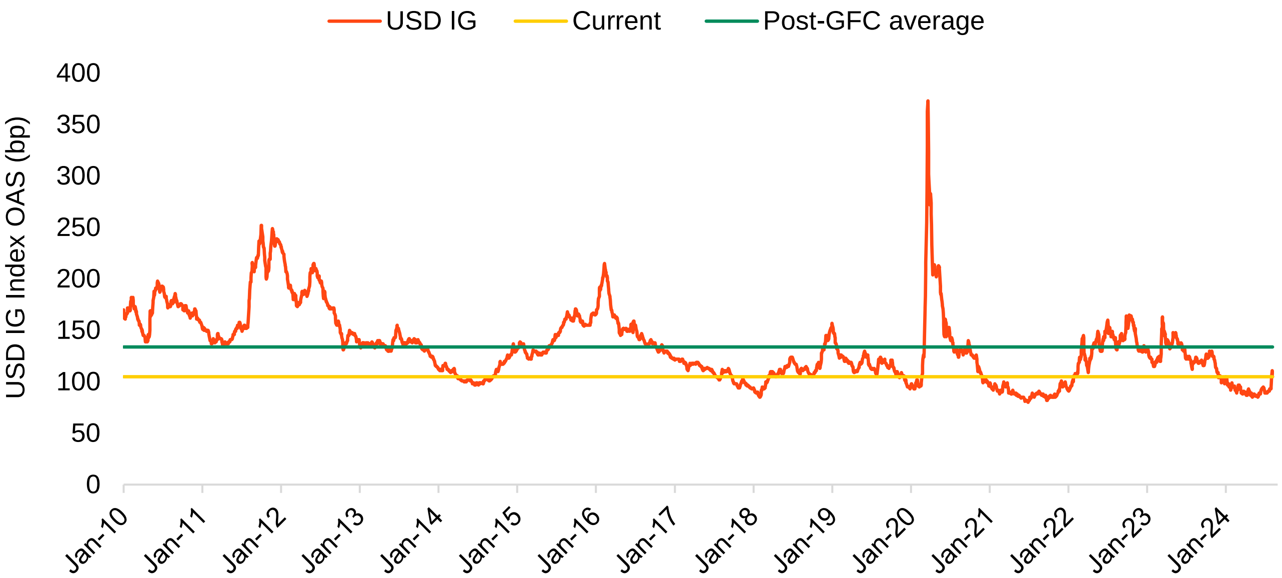
Source: Pitchbook LCD, BlackRock. Captures data through June 30, 2024 (most recent available as of August 6, 2024).

USD corporate credit spreads: wider, but not wide

The volatility of the past few trading sessions has unsurprisingly pushed average index-level spreads for the IG and HY corporate bond indices wider, to reflect additional market risk premia. For example, USD IG spreads moved from 93bp on July 31st to 111bp on August 5th, before retracing some of this widening to close at 105bp on August 7th. That said, this level remains well below the post-global financial crisis (GFC) average of 134bp (Exhibit 7).

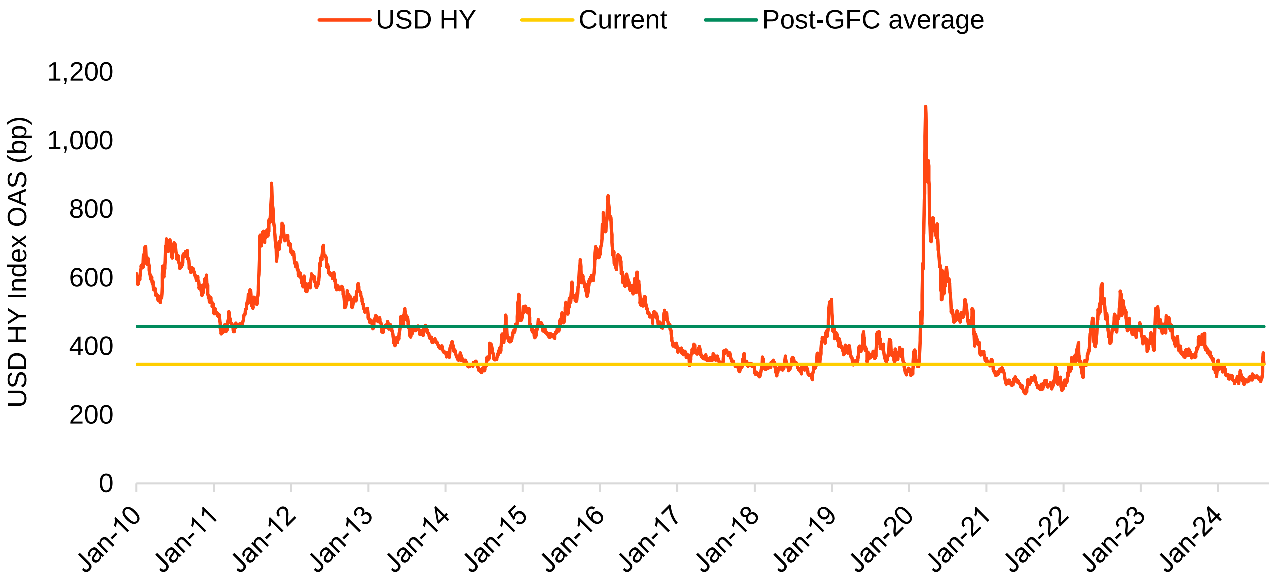
A similar pattern was evident in the USD HY market (Exhibit 8). The average index-level spread of 314bp on July 31st quickly moved to 381bp by August 5th. But as of August 7th, the index closed at 348bp. And all levels remained below the post-GFC average of 457bp.

Exhibit 7: The USD IG index spread of 105bp compares to a post-GFC average of 134bp
Index-level, average option adjusted spread (OAS) for the Bloomberg USD IG Corporate Index



Source: BlackRock, Bloomberg. As of August 7, 2024. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

Exhibit 8: USD HY spreads of 348bp are still well below the post-GFC average of 457bp
Index-level, average option adjusted spread (OAS) for the Bloomberg USD HY Corporate Index



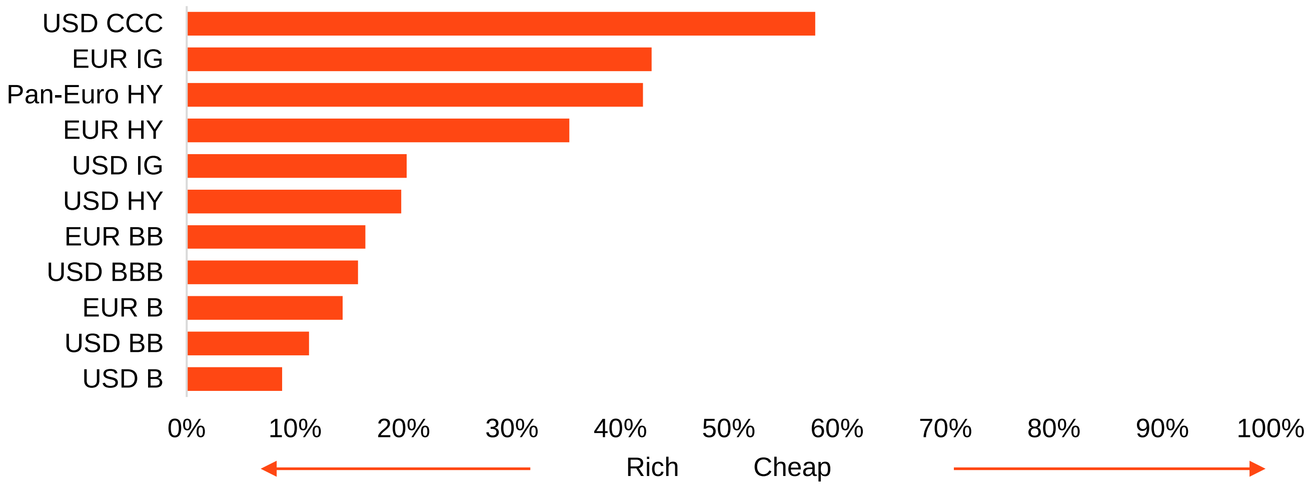
Source: BlackRock, Bloomberg. As of August 7, 2024. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

The spread vs. yield "tug of war" persists

Exhibit 9 illustrates the current spread valuations another way (as of the August 7th close), using percentile ranks for daily spreads in the post-GFC era. While these percentile ranks are somewhat "cheaper" (per the scale on the x-axis) vs. levels from late June (please see page 15 of our *3Q2024 Global Credit Outlook* for a comparison), they are still relatively "rich" in the context of the longer-term trend. The most notable exception is CCC-rated firms, which have lagged the overall tightening in the USD HY index for most of this year.

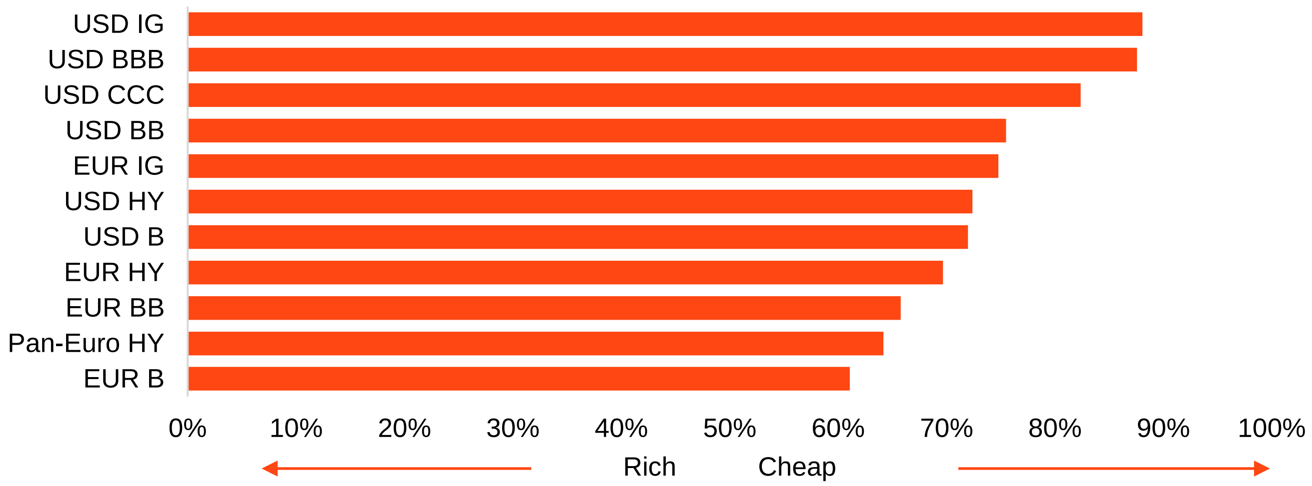
In contrast to spreads, all-in yields – which are illustrated in Exhibit 10 – remain attractive by historical standards. While U.S. Treasury yields have declined over the past several sessions (again, Exhibit 5), the widening in spreads has somewhat mitigated the "net" change to all-in yields. This spread vs. yield "tug of war" has been a defining feature of the relative value nuances in the corporate credit market over the past several months and is likely to persist barring a sharp deterioration in growth (which would likely cause material *widening* in spreads and a large *decline* in the risk-free rate).

Exhibit 9: Spread valuations have cheapened somewhat, but not materially vs. history
Percentile rank of daily index-level corporate bond spreads since January 1, 2010



Source: BlackRock, Bloomberg, ICE-BAML. Captures option adjusted spread data through August 7, 2024. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Exhibit 10: All-in yields still screen as attractive vs. the post-GFC era
Percentile rank of daily index-level corporate bond yields since January 1, 2010



Source: BlackRock, Bloomberg, ICE-BAML. Captures yield-to-worst data through August 7, 2024. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

Leveraged loans vs. HY: a trade-off between carry and duration

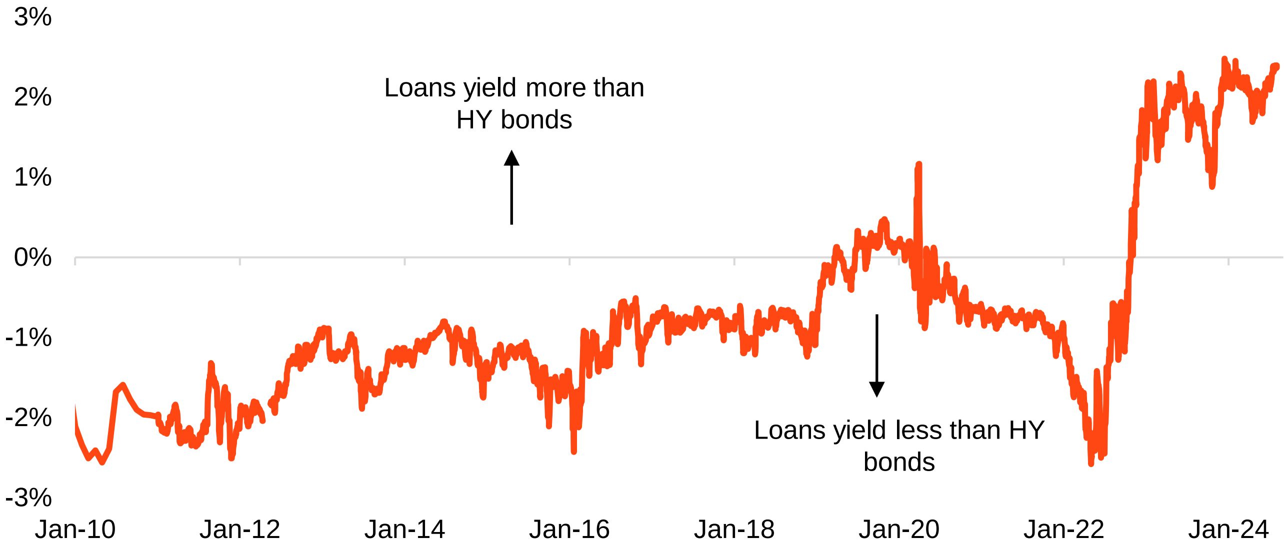
Another relative value nuance is the "trade-off" between yield (carry) and duration when considering the asset allocation decision between leveraged loans and HY bonds. As Exhibit 11 illustrates, the yield differential between B-rated USD leveraged loans and B-rated USD HY bonds is currently hovering near 230bp – a level at the high-end of the historical range.

Leaving important compositional differences (such as sector weightings) between the two indices aside, the yield opportunity currently screens in favor of leveraged loans (again, Exhibit 11). But if the forward path of Fed rate cuts is delivered (and the U.S. Treasury yield curve continues to "dis-invert", as shown in Exhibit 12), the yield advantage of loans will likely narrow. And, of course, USD HY bonds would have the potential to benefit from future declines in intermediate interest rates, given their duration exposure.

On net, this leaves the relative value decision poised to skew in favor of HY bonds – at least on the margin.

Exhibit 11: The carry differential between loans and HY bonds should compress

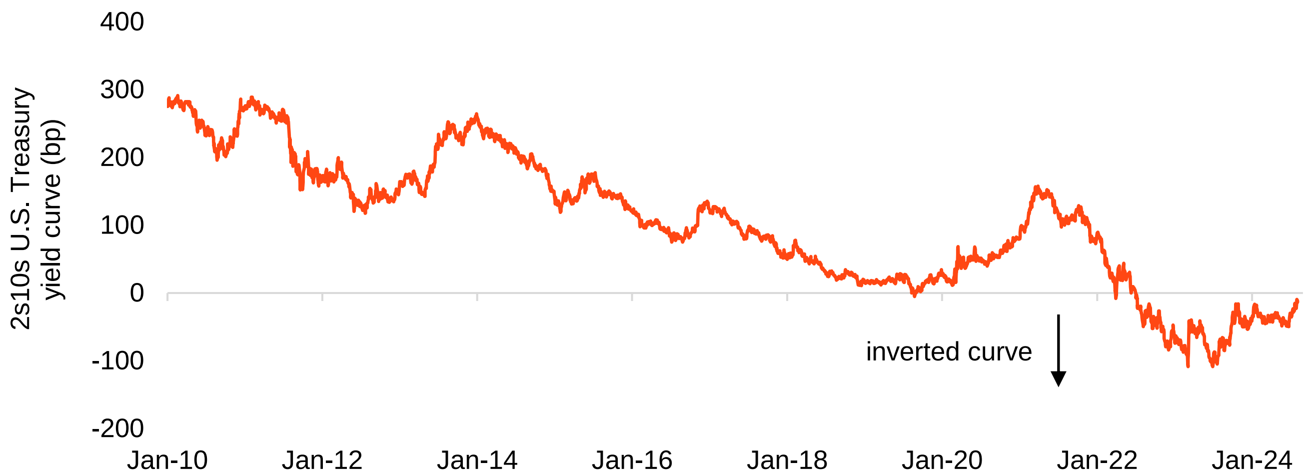
Yield differential (%): B-rated leveraged loans minus B-rated HY bonds



Source: Source: Pitchbook LCD, BlackRock, Morningstar/LSTA, ICE-BAML. As of August 2, 2024 (most recent available as of August 6, 2024). **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

Exhibit 12: The U.S. Treasury yield curve has become less inverted

2s10s U.S. Treasury yield curve (bp): 10-year yield minus 2-year yield



Source: BlackRock, Bloomberg. As of August 6, 2024. **The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results.** Index performance returns do not reflect any management fees, transaction costs, or expenses. Indices are unmanaged and one cannot invest directly in an index.

Capital markets access: warrants monitoring…but so far, so good

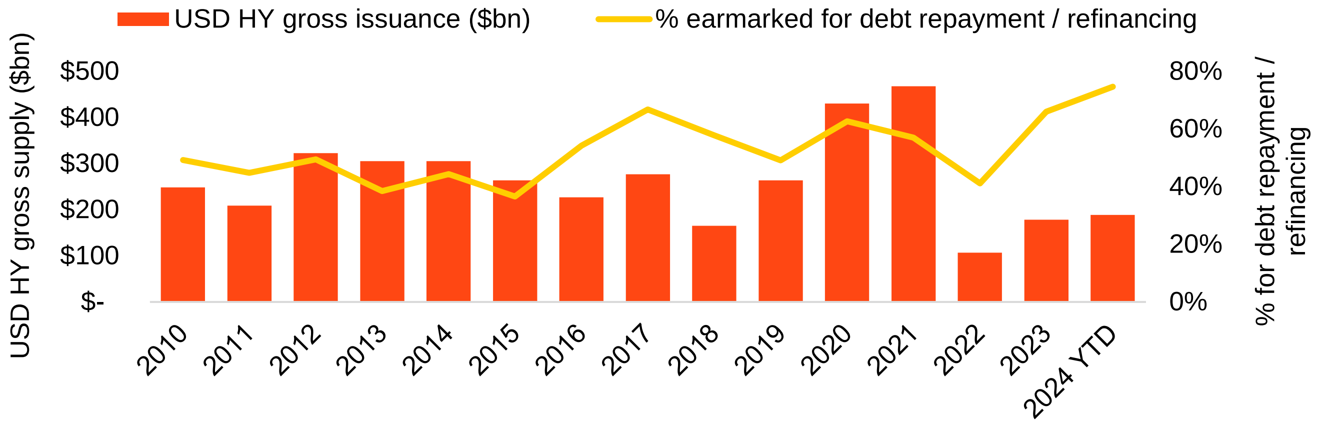
After a (very) brief lull, USD IG primary market activity accelerated swiftly by mid-week. According to data complied by Bloomberg, 17 deals ($31.8 billion in total) priced in the USD IG market on Wednesday (August 7th), representing the busiest day (by volume) so far this year. These deals were well received considering the volatility and volumes, as highlighted by average new issue concessions of 6.3bp (vs. the year-to-date and 2023 averages of 3.6bp and 8.5bp, respectively). Books for Wednesday's deals were 4.9x oversubscribed on average, and several deals launched tighter than initial guidance, per Bloomberg.

The USD HY primary market is also open, pricing two deals (total of $1.7 billion) on August 7th (per Bloomberg). Importantly, many USD HY borrowers are encountering this market volatility from a resilient balance sheet posture, owing to proactive pre-funding and refinancing activity which has taken place over the past few quarters (see Appendix for fundamental metrics). Exhibit 13 shows that 75% of year-to-date USD HY gross supply has been earmarked for debt repayment or refinancing, per Dealogic. And Exhibit 14 illustrates that near-term maturity walls (through 2025) are very low in absolute terms (for context: the Bloomberg USD HY Corporate Index had $1.36 trillion notional outstanding as of August 6th).

Corporate credit market functiong is a key metric to monitor, in our view. We believe a scenario of *prolonged* inactivity and *significant* disruption in the USD primary debt capital markets could warrant a swifter policy response from the Fed – although the backdrop appears well-functioning, currently.

Exhibit 13: USD HY borrowers have been active in pre-funding and refinancing

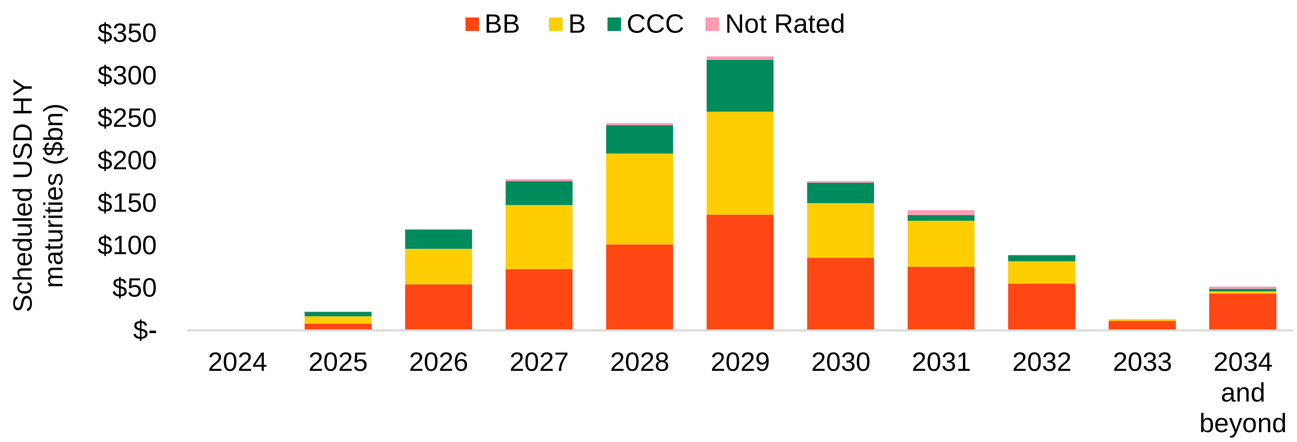
USD HY gross issuance ($bn) and the share earmarked for debt repayment and refinancing, as captured by Dealogic's primary use of proceeds (RHS)



Source: Dealogic (ION Analytics), BlackRock. As of August 6, 2024.

Exhibit 14: Near-term maturity walls in the USD HY market are low

Maturity schedule for the bonds included in the Bloomberg USD HY Corporate Index, by Bloomberg Composite rating



Source: Bloomberg, BlackRock. As of August 6, 2024. Excludes bonds which are not index eligible. Also excludes bonds rated C+ and below.

U.S. bank lending standards remain tight, but have eased since 2023

In addition to credit availability in the debt capital markets, we also continue to monitor trends in the bank lending channel – which is another important avenue for financing the U.S. economy. The most recent Senior Loan Officer Opinion Survey (SLOOS) released this week offered some incremental insights into U.S. banks' lending and underwriting approaches across different borrower segments.

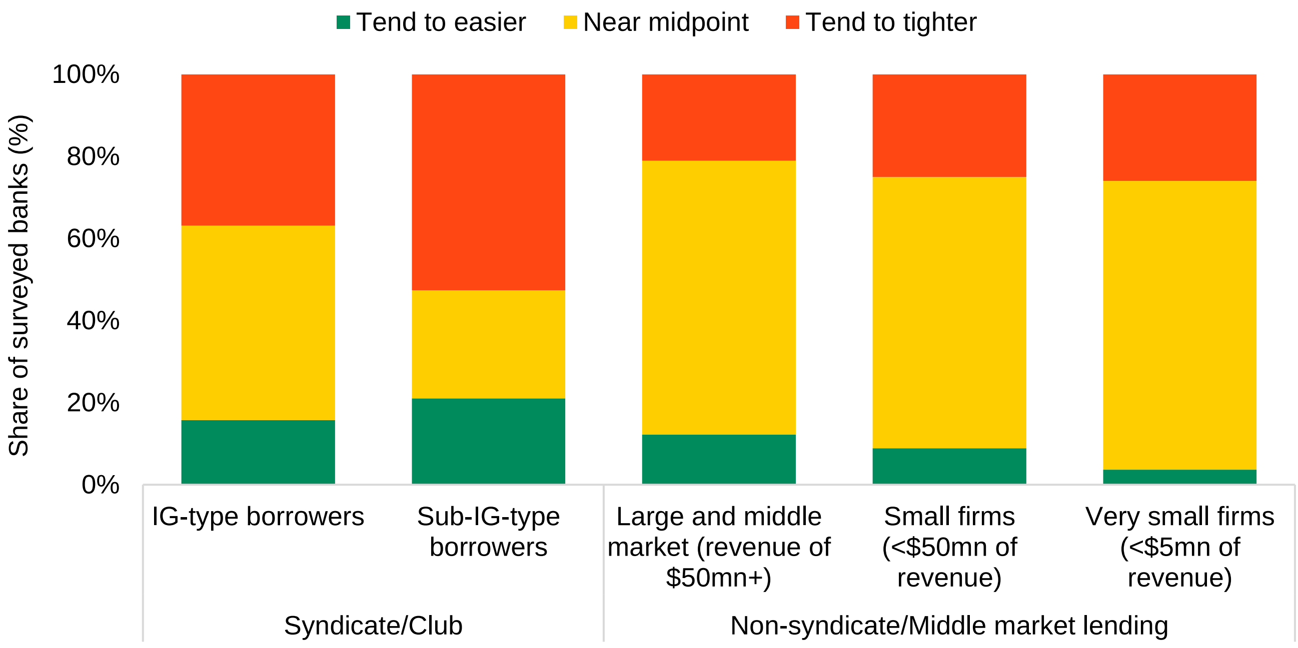
The July 2024 SLOOS, which generally corresponds to activity from 2Q2024, showed that banks, on net, tightened lending standards across most loan categories during the quarter, though the net share tightening declined vs. 1Q2024.

In addition to the standard SLOOS report (which provides visibility into incremental changes to lending standards), the July SLOOS includes an annual "set of special questions" asking surveyed banks to compare current lending standards to their longer-term history (dating back to 2005). Responses showed that lending standards for all loan categories remain tight compared to historical midpoints but have generally eased from 2023 (following the regional banking crisis). Related to this, there were some notable takeaways across three borrower segments, in our view:

- **Commercial and industrial (C&I) loans and credit lines:** Banks reported, on net, tighter lending standards (vs. the midpoints of their historical ranges) for all C&I loans and credit lines (Exhibit 15). But the 2024 survey suggests notable easing from levels in 2023. Lending standard tightness vs. history was more pronounced *among sub-investment grade* syndicate/club loans and credit lines, relative to their investment grade peer group. Somewhat counterintuitively, a larger share of banks also reported *easier* lending standards vs. history in the sub-investment grade market (vs. investment grade). We believe this reflects the dispersion which has been a hallmark of the credit investing landscape over the past few quarters (as a higher cost of capital has exacerbated companies' competitive strengths *and* weaknesses).

Exhibit 15: U.S. banks reported tighter lending standards (vs. a long-term history) for sub-investment grade borrowers

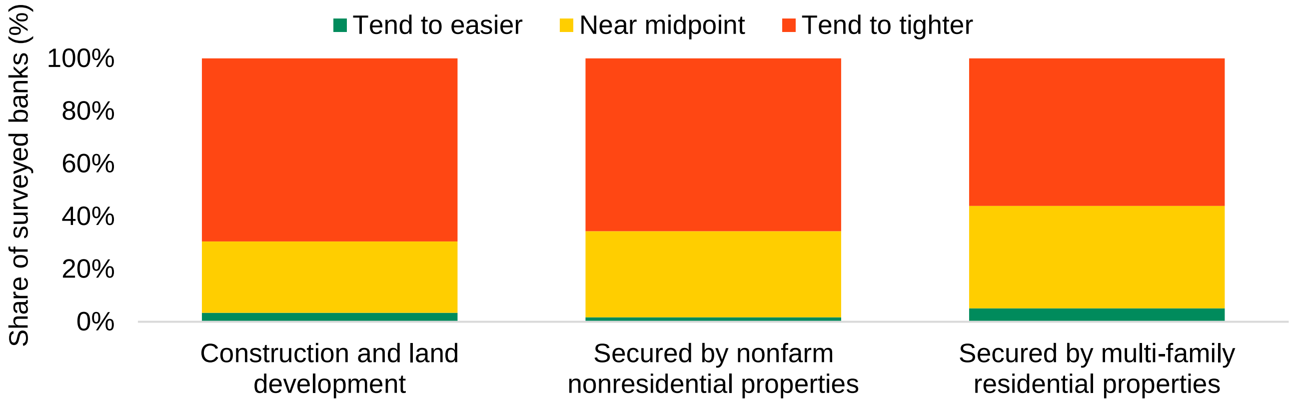
Banks were asked: Using the range between the tightest and the easiest that lending standards at your bank have been between 2005 and the present, for each of the loan categories, how would you describe your bank's current level of standards relative to that range?



Source: Board of Governors of the Federal Reserve System, BlackRock. July 2024 SLOOS update was released on August 5, 2024, and captures activity from 2Q2024. The relevant benchmarking survey is conducted every July. The commercial and industrial (C&I) loan category includes loans and credit lines. Syndicate/Club is defined as large loans originated by a group of relationship lenders. IG-type borrowers are defined as investment-grade firms (or unrated firms of similar creditworthiness). Sub-IG-type borrowers are defined as below-investment-grade firms (or unrated firms of similar creditworthiness).

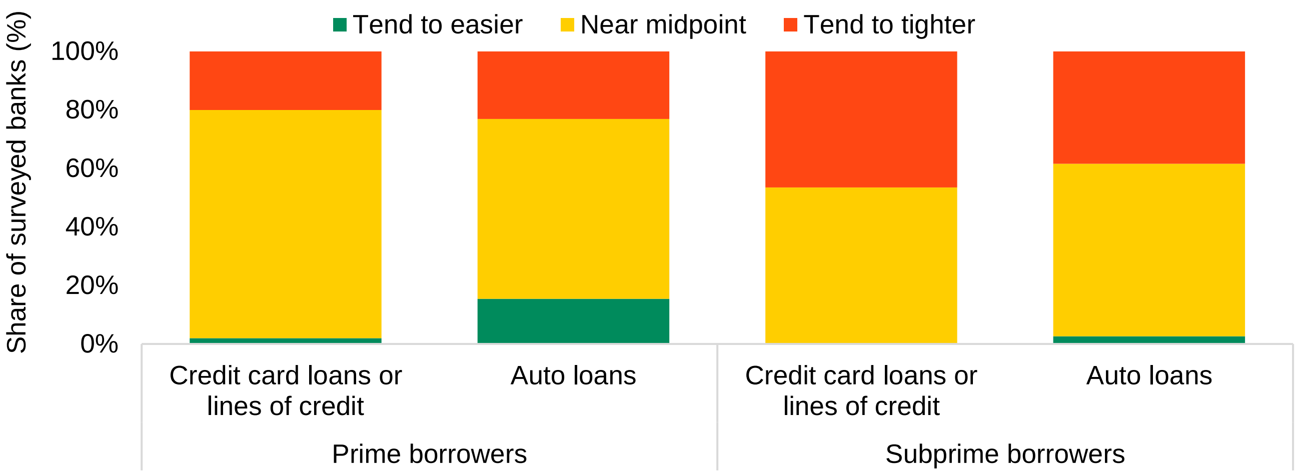
- **Commercial real estate (CRE) loans or credit lines:** Banks, on net, reported tighter lending standards vs. historical ranges, across all CRE loan and credit line categories (Exhibit 16). Notably, the share of banks reporting tighter lending standards vs. history remains below the July 2023 survey. We expect this tightness to persist given a mix of macro and structural headwinds facing the asset class and view an uptick in transaction volume as a key ingredient to the CRE "price discovery" process. That said, the CRE market is incredibly nuanced. Lending standards will likely vary based on property type and location, and the size/diversification of banks' existing CRE exposures.
- **Consumer loans:** According to the survey, lending standards for consumer loans were also at the tight end of the historical range. This was especially true for subprime credit card and auto loans, where an average of 42% of banks reported tighter lending standards vs. history (compared to an average of 22% for prime credit card and auto loans; Exhibit 17). In our view, this highlights continued consumer bifurcation. We broadly expect tight lending standards (vs. historical midpoints) to persist through the elevated rate environment, especially for subprime consumers, which have historically experienced higher credit card delinquency rates than other consumer cohorts.

Exhibit 16: Tightness in CRE lending reflects the enduring nature of the repricing cycle
Banks were asked: Using the range between the tightest and the easiest that lending standards at your bank have been between 2005 and the present, for each of the loan categories, how would you describe your bank's current level of standards relative to that range?



Source: Board of Governors of the Federal Reserve System, BlackRock. July 2024 SLOOS update was released on August 5, 2024, and captures activity from 2Q2024. The relevant benchmarking survey is conducted every July. The commercial real estate (CRE) loan category includes loans and credit lines.

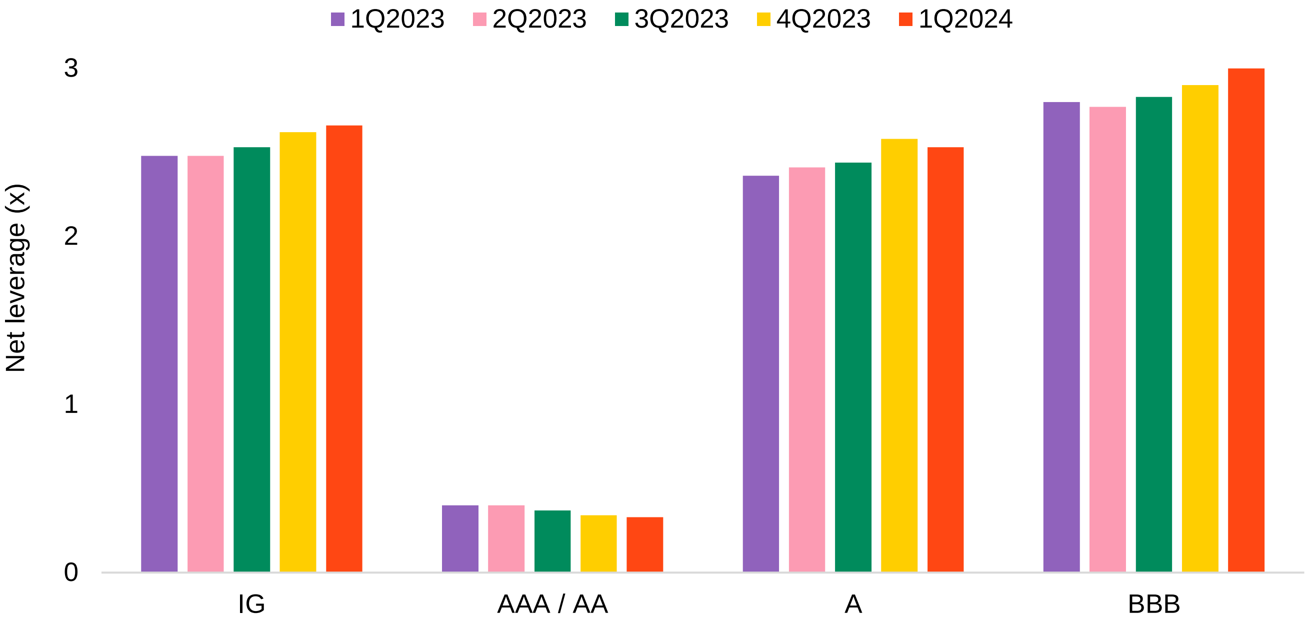
Exhibit 17: Lending standards for subprime consumers are tighter, underscoring bifurcation
Banks were asked: Using the range between the tightest and the easiest that lending standards at your bank have been between 2005 and the present, for each of the loan categories, how would you describe your bank's current level of standards relative to that range?



Source: Board of Governors of the Federal Reserve System, BlackRock. July 2024 SLOOS update was released on August 5, 2024, and captures activity from 2Q2024. The relevant benchmarking survey is conducted every July.

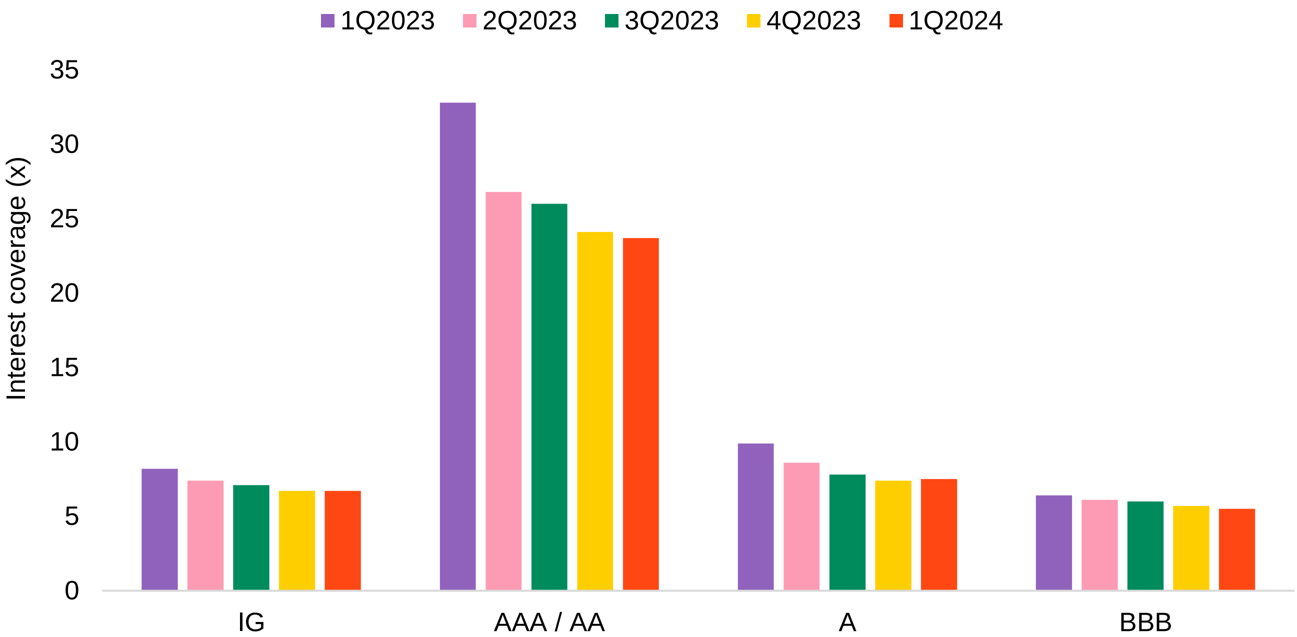
Appendix: USD IG leverage and coverage ratios

Exhibit 18: USD IG net leverage by rating category
Trimmed mean (excludes bottom 10% and top 10%) net leverage, for the companies included in each rating-specific cohort of the Bloomberg USD IG Corporate index



Source: Bloomberg, BlackRock. Net leverage is defined as: (Debt - Cash) / LTM EBITDA. Data as of 1Q2024 (most recent available). LTM = last twelve months.

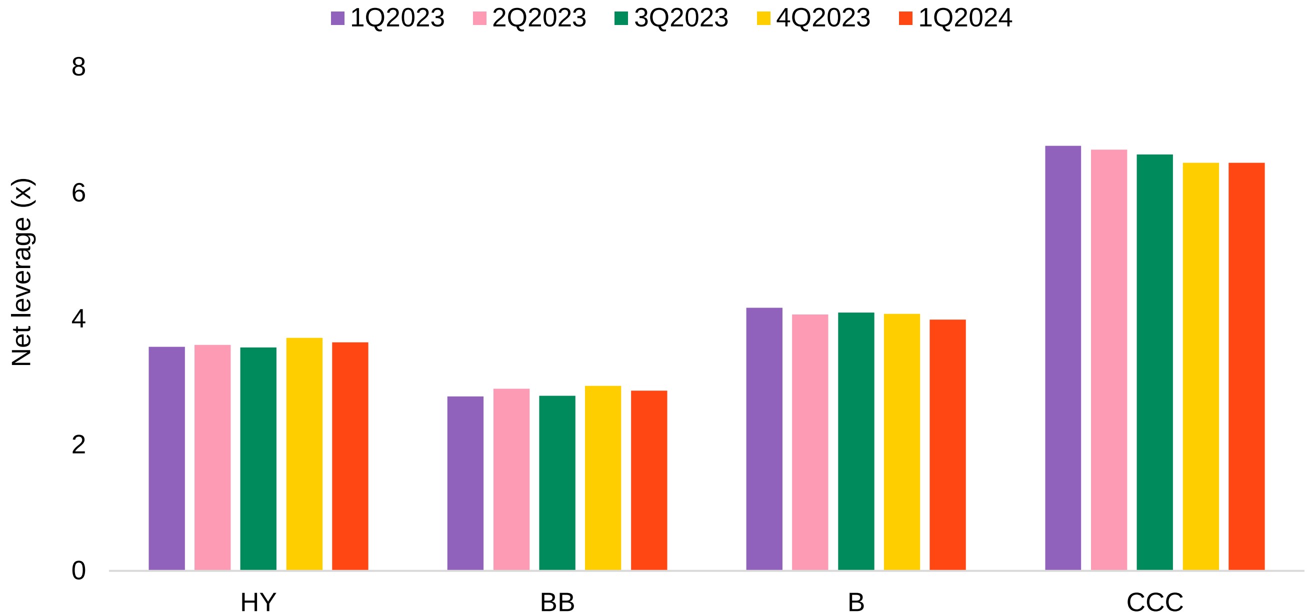
Exhibit 19: USD IG interest coverage by rating category
Trimmed mean (excludes bottom 10% and top 10%) interest coverage, for the companies included in each rating-specific cohort of the Bloomberg USD IG Corporate index



Source: Bloomberg, BlackRock. Interest coverage is defined as LTM EBIT / LTM Interest Expense. Data as of 1Q2024 (most recent available). LTM = last twelve months.

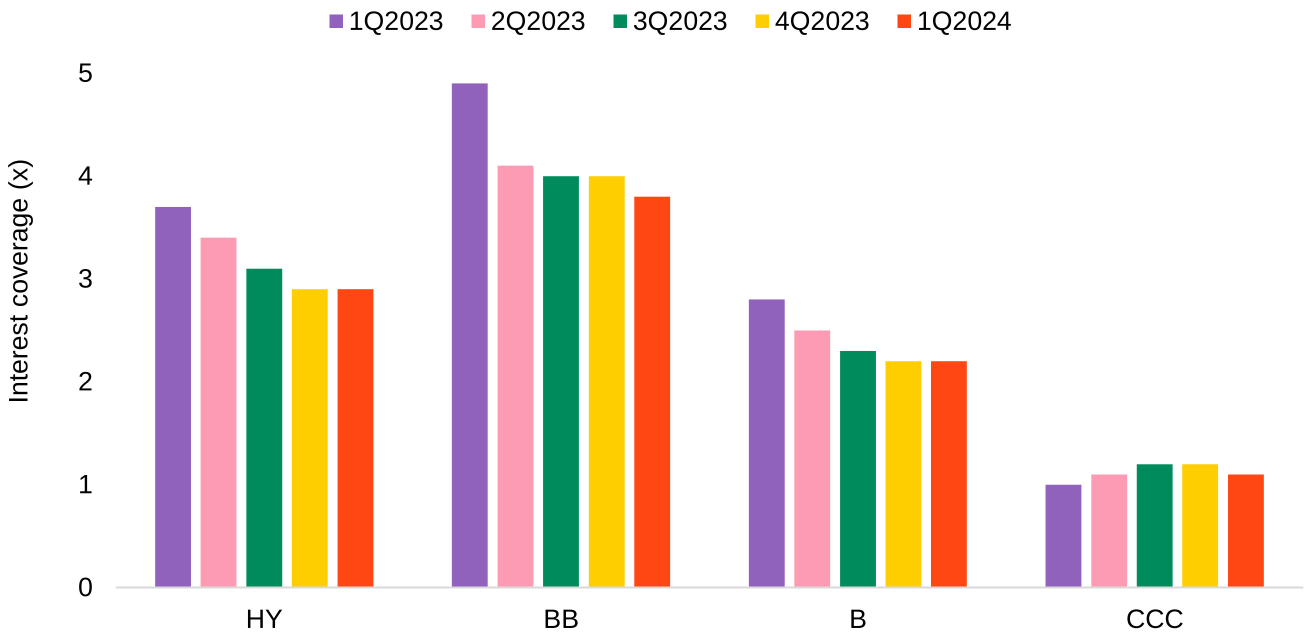
Appendix (continued): USD HY leverage and coverage ratios

Exhibit 20: USD HY net leverage by rating category
Trimmed mean (excludes bottom 10% and top 10%) net leverage, for the companies included in each rating-specific cohort of the Bloomberg USD HY Corporate index



Source: Bloomberg, BlackRock. Net leverage is defined as: (Debt - Cash) / LTM EBITDA. Data as of 1Q2024 (most recent available). LTM = last twelve months.

Exhibit 21: USD HY interest coverage by rating category
Trimmed mean (excludes bottom 10% and top 10%) interest coverage, for the companies included in each rating-specific cohort of the Bloomberg USD HY Corporate index

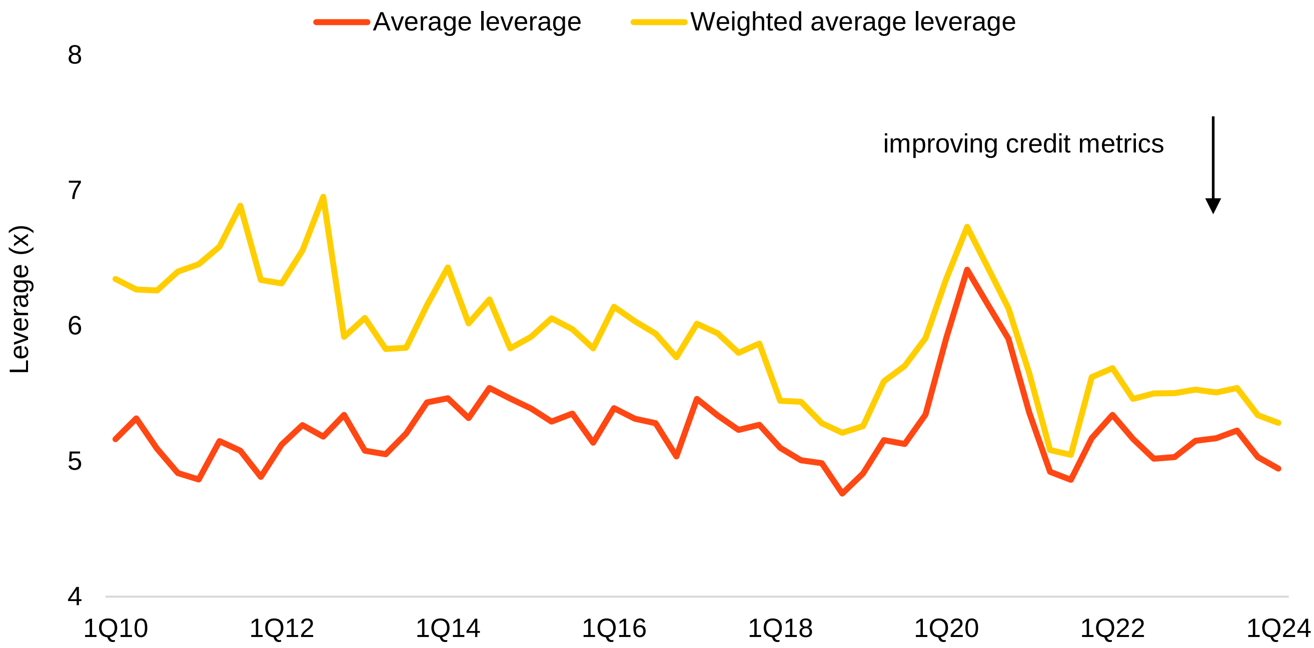


Source: Bloomberg, BlackRock. Interest coverage is defined as LTM EBIT / LTM Interest Expense. Data as of 1Q2024 (most recent available). LTM = last twelve months.

Appendix (continued): USD leveraged loan leverage and coverage ratios

Exhibit 22: Average and weighted average leverage

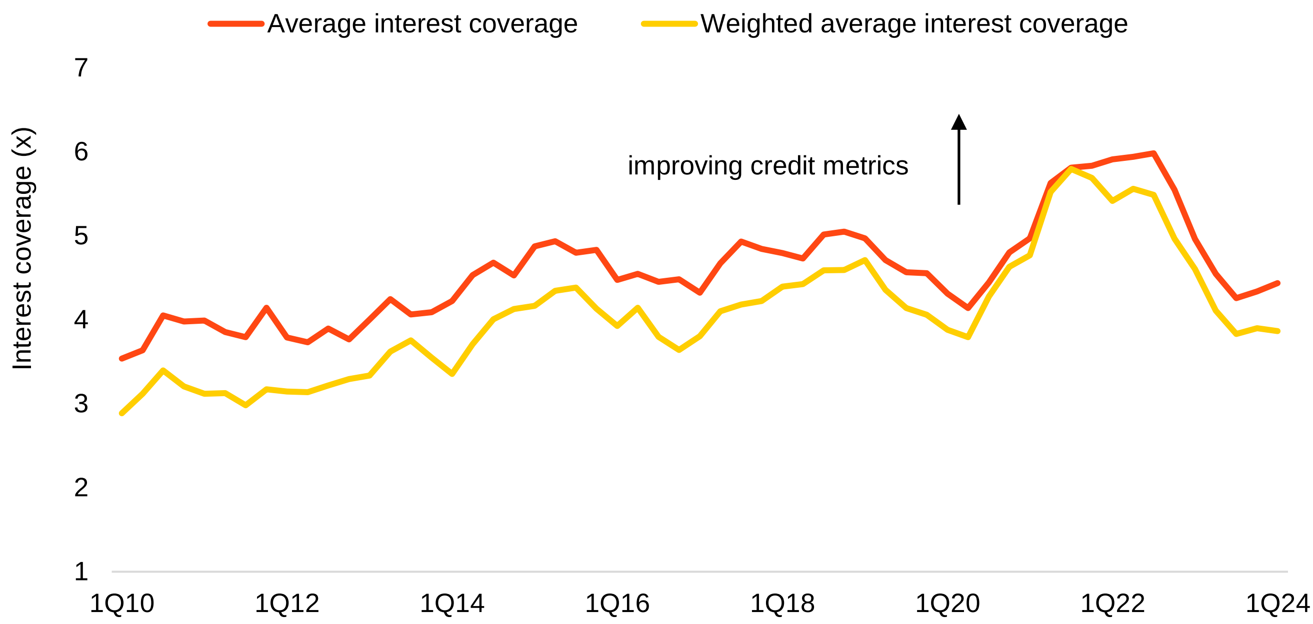
Leverage (Total Debt / LTM EBITDA) for issuers in the Morningstar/LSTA USD Leveraged Loan Index that publicly file financial results; based on issuer count



Source: BlackRock, Pitchbook LCD, Morningstar/LSTA. As of 1Q2024 (most recent). LCD's sample for 1Q2024 included 158 issuers (with a total of $174 billion outstanding in the index). This sample accounted for 13% of the index by par value, which is a subset of all issuers with public financials. LTM = last twelve months.

Exhibit 23: Average and weighted average interest coverage

Interest coverage (LTM EBITDA / LTM interest) for issuers in the Morningstar/LSTA USD Leveraged Loan Index that publicly file financial results; based on issuer count



Source: BlackRock, Pitchbook LCD, Morningstar/LSTA. As of 1Q2024 (most recent). LCD's sample for 1Q2024 included 158 issuers (with a total of $174 billion outstanding in the index). This sample accounted for 13% of the index by par value, which is a subset of all issuers with public financials. LTM = last twelve months.

Unless otherwise stated, all reference to $ are in USD.

Risk Warnings:

Capital at risk. The value of investments and the income from them can fall as well as rise and are not guaranteed. You may not get back the amount originally invested.

Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

In the U.S., this material is for institutional use only – not for public distribution.

For investors in the Caribbean, any funds mentioned or inferred in this material have not been registered under the provisions of the Investment Funds Act of 2003 of the Bahamas, nor have they been registered with the securities regulators of Dominica, the Cayman Islands, the British Virgin Islands, Grenada, Trinidad & Tobago or any jurisdiction in the Organization of Eastern Caribbean States, and thus, may not be publicly offered in any such jurisdiction. Engaging in marketing, offering, or selling any fund from within the Cayman Islands to persons or entities in the Cayman Islands may be deemed carrying on business in the Cayman Islands. As a non-Cayman Islands person, BlackRock may not carry on or engage in any trade or business unless it properly registers and obtains a license for such activities in accordance with the applicable Cayman Islands law. In the Dominican Republic, any securities mentioned or inferred in this material may only be offered in a private character according to the laws of the Dominican Republic, falling beyond the scope of articles 1 numeral (31), 46 et al of Law 249-17 dated 19 December 2017, as amended and its Regulations. Since no governmental authorizations are required in such offering, any “securities” mentioned or inferred in this material have not been and will not be registered with the Stock Market Superintendency of the Dominican Republic (Superintendencia de Mercado de Valores de la República Dominicana), and these “securities” may only be circulated, offered, and sold in the Dominican Republic in a private manner based on the criteria established under Dominican laws and regulations.

IMPORTANT INFORMATION:

In **Canada**, this material is intended for permitted clients as defined under Canadian securities law, is for educational purposes only, does not constitute investment advice and should not be construed as a solicitation or offering of units of any fund or other security in any jurisdiction.

In **China,** this material may not be distributed to individuals resident in the People's Republic of China ("PRC", for such purposes, not applicable to Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services.

In **Singapore**, this document is provided by BlackRock (Singapore) Limited (company registration number:200010143N） for use only with institutional investors as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In **Hong Kong**, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. This material is for distribution to "Professional Investors" (as defined in the Securities and Futures Ordinance (Cap.571 of the laws of Hong Kong) and any rules made under that ordinance.) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong.

In **Japan**, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, The Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association) for Professional Investors only (Professional Investor is defined in Financial Instruments and Exchange Act).

In **South Korea**, this information is issued by BlackRock Investment (Korea) Limited. This material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations) and for information or educational purposes only and does not constitute investment advice or an offer or solicitation to purchase or sells in any securities or any investment strategies.

In **Australia** & **New Zealand**, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL) for the exclusive use of the recipient, who warrants by receipt of this material that they are a wholesale client as defined under the Australian Corporations Act 2001 (Cth) and the New Zealand Financial Advisers Act 2008 respectively.

This material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. Refer to BIMAL's Financial Services Guide on its website for more information. This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. BIMAL is a part of the global BlackRock Group which comprises of financial product issuers and investment managers around the world. BIMAL is the issuer of financial products and acts as an investment manager in Australia. BIMAL does not offer financial products to persons in New Zealand who are retail investors (as that term is defined in the Financial Markets Conduct Act 2013 (FMCA)). This material does not constitute or relate to such an offer. To the extent that this material does constitute or relate to such an offer of financial products, the offer is only made to, and capable of acceptance by, persons in New Zealand who are wholesale investors (as that term is defined in the FMCA).

BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Except where contrary to law, BIMAL excludes all liability for this information.

In **Brunei**, BlackRock does not hold a Capital Markets Services License and is therefore not licensed for conducting business in any regulated activity under the Securities Market Order, 2013. This document has been issued by BlackRock and is intended for the exclusive use of the recipient. The distribution of the information contained herein may be restricted by law and persons who access it are required to comply with any such restrictions. The information provided herein information is directed solely at persons who would be regarded as "Accredited Investors", "Expert Investors" or "Institutional Investors" in accordance with the Securities Market Order 2013

This material is for distribution to Professional Clients (as defined by the Financial Conduct Authority or MiFID Rules) only and should not be relied upon by any other persons.

In the UK and Non-European Economic Area (EEA) countries: this is Issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: + 44 (0)20 7743 3000. Registered in England and Wales No. 02020394. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock.

In the European Economic Area (EEA): This document is marketing material. This is Issued by BlackRock (Netherlands) B.V. and is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311 For your protection telephone calls are usually recorded

For Investors in **Switzerland**: This document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services ("FinSA"). For information on art. 8 / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: www.blackrock.com/finsa.

In **Italy**: For information on investor rights and how to raise complaints please go to https://www.blackrock.com/corporate/compliance/investor-right available in Italian.

For investors in **Israel**: BlackRock Investment Management (UK) Limited is not licenced under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the “Advice Law”), nor does it carry insurance thereunder.

The information contained in this document is intended strictly for Professional Clients as defined under the Dubai Financial Services Authority (“DFSA”) Conduct of Business (COB) Rules. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These 44 forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The information contained in this document is intended strictly for non-natural Qualified Investors as defined in the UAE Securities and Commodities Authority’s Board Decision No. 3/R.M of 2017 concerning Promoting and Introducing Regulations. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

The information contained in this document, may contain statements that are not purely historical in nature but are “forward-looking statements”. These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

Blackrock Advisors (UK) Limited -Dubai Branch is a DIFC Foreign Recognised Company registered with the DIFC Registrar of Companies (DIFC Registered Number 546), with its office at Unit L15 - 01A, ICD Brookfield Place, Dubai International Financial Centre, PO Box 506661, Dubai, UAE, and is regulated by the DFSA to engage in the regulated activities of ‘Advising on Financial Products’ and ‘Arranging Deals in Investments’ in or from the DIFC, both of which are limited to units in a collective investment fund (DFSA Reference Number F000738).

In **Saudi Arabia**, the information contained in this document is intended strictly for sophisticated institutions. The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock. The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public. The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

Kuwait

The information contained in this document is intended strictly for sophisticated institutions that are 'Professional Clients' as defined under the Kuwait Capital Markets Law and its Executive Bylaws.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock.

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials.

For investors in **Central America**, these securities have not been registered before the Securities Superintendence of the Republic of Panama, nor did the offer, sale or their trading procedures. The registration exemption has made according to numeral 3 of Article 129 of the Consolidated Text containing of the Decree-Law No. 1 of July 8, 1999 (institutional investors). Consequently, the tax treatment set forth in Articles 334 to 336 of the Unified Text containing Decree-Law No. 1 of July 8, 1999, does not apply to them. These securities are not under the supervision of the Securities Superintendence of the Republic of Panama. The information contained herein does not describe any product that is supervised or regulated by the National Banking and Insurance Commission (CNBS) in Honduras. Therefore any investment described herein is done at the investor's own risk. This is an individual and private offer which is made in Costa Rica upon reliance on an exemption from registration before the General Superintendence of Securities ("SUGEVAL"), pursuant to articles 7 and 8 of the Regulations on the Public Offering of Securities ("Reglamento sobre Oferta Pública de Valores"). This information is confidential, and is not to be reproduced or distributed to third parties as this is NOT a public offering of securities in Costa Rica. The product being offered is not intended for the Costa Rican public or market and neither is registered or will be registered before the SUGEVAL, nor can be traded in the secondary market. If any recipient of this documentation receives this document in El Salvador, such recipient acknowledges that the same has been delivered upon his request and instructions, and on a private placement basis. For Guatemala Investors, This communication and any accompanying information (the "Materials") are intended solely for informational purposes and do not constitute (and should not be interpreted to constitute) the offering, selling, or conducting of business with respect to such securities, products or services in the jurisdiction of the addressee (this "Jurisdiction"), or the conducting of any brokerage, banking, or other similarly regulated activities ("Financial Activities") in the Jurisdiction. Neither BLACKROCK, nor the securities, products and services described herein, are registered (or intended to be registered) in the Jurisdiction. Furthermore, neither BLACKROCK, nor the securities, products, services, or activities described herein, are regulated, or supervised by any governmental or similar authority in the Jurisdiction. The Materials are private, confidential and are sent by BLACKROCK only for the exclusive use of the addressee. The Materials must not be publicly distributed and any use of the Materials by anyone other than the addressee is not authorized. The addressee is required to comply with all applicable laws in the Jurisdiction, including, without limitation, tax laws and exchange control regulations if any.

In **Latin America**, for institutional investors and financial intermediaries only (not for public distribution). This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not been registered with the securities regulators of Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru, Uruguay or any other securities regulator in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. No information discussed herein can be provided to the general public in Latin America. The contents of this material are strictly confidential and must not be passed to any third party.

In **Colombia**, the sale of each fund discussed herein, if any, is addressed to less than one hundred specifically identified investors, and such fund may not be promoted or marketed in Colombia or to Colombian residents unless such promotion and marketing is made in compliance with Decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia.

In **Chile**, the sale of each fund not registered with the CMF is subject to General Rule No. 336 issued by the SVS (now the CMF). The subject matter of this sale may include securities not registered with the CMF; therefore, such securities are not subject to the supervision of the CMF. Since the securities are not registered in Chile, there is no obligation of the issuer to make publicly available information about the securities in Chile. The securities shall not be subject to public offering in Chile unless registered with the relevant registry of the CMF.

IN MEXICO, FOR INSTITUTIONAL AND QUALIFIED INVESTORS USE ONLY. INVESTING INVOLVES RISK, INCLUDING POSSIBLE LOSS OF PRINCIPAL. THIS MATERIAL IS PROVIDED FOR EDUCATIONAL AND INFORMATIONAL PURPOSES ONLY AND DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SHARES OF ANY FUND OR SECURITY. This information does not consider the investment objectives, risk tolerance or the financial circumstances of any specific investor. This information does not replace the obligation of financial advisor to apply his/her best judgment in making investment decisions or investment recommendations. It is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the “CNBV”) and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services (“Investment Services”) is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. These materials are shared for information purposes only, do not constitute investment advice, and are being shared in the understanding that the addressee is an Institutional or Qualified investor as defined under Mexican Securities (Ley del Mercado de Valores). Each potential investor shall make its own investment decision based on their own analysis of the available information. Please note that by receiving these materials, it shall be construed as a representation by the receiver that it is an Institutional or Qualified investor as defined under Mexican law. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora de Fondos de Inversión (“BlackRock México Operadora”) is a Mexican subsidiary of BlackRock, Inc., authorized by the CNBV as a Mutual Fund Manager (Operadora de Fondos), and as such, authorized to manage Mexican mutual funds, ETFs and provide Investment Advisory Services. For more information on the Investment Services offered by BlackRock Mexico, please review our Investment Services Guide available in www.blackrock.com/mx. This material represents an assessment at a specific time and its information should not be relied upon by the you as research or investment advice regarding the funds, any security or investment strategy in particular. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. For more information on BlackRock México, please visit: www.blackRock.com/mx. BlackRock receives revenue in the form of advisory fees for our advisory services and management fees for our mutual funds, exchange traded funds and collective investment trusts. Any modification, change, distribution or inadequate use of information of this document is not responsibility of BlackRock or any of its affiliates. Pursuant to the Mexican Data Privacy Law (Ley Federal de Protección de Datos Personales en Posesión de Particulares), to register your personal data you must confirm that you have read and understood the Privacy Notice of BlackRock México Operadora. For the full disclosure, please visit www.blackRock.com/mx and accept that your personal information will be managed according with the terms and conditions set forth therein.

State of Qatar and the Qatar Financial Centre (QFC)

The information contained in this document is intended strictly for sophisticated institutions.

The information contained in this document, does not constitute and should not be construed as an offer of, invitation or proposal to make an offer for, recommendation to apply for or an opinion or guidance on a financial product, service and/or strategy. Whilst great care has been taken to ensure that the information contained in this document is accurate, no responsibility can be accepted for any errors, mistakes or omissions or for any action taken in reliance thereon. You may only reproduce, circulate and use this document (or any part of it) with the consent of BlackRock Investment Management (UK).

The information contained in this document is for information purposes only. It is not intended for and should not be distributed to, or relied upon by, members of the public.

The information contained in this document, may contain statements that are not purely historical in nature but are "forward-looking statements". These include, amongst other things, projections, forecasts or estimates of income. These forward-looking statements are based upon certain assumptions, some of which are described in other relevant documents or materials. If you do not understand the contents of this document, you should consult an authorised financial adviser.

In **Peru**, this private offer does not constitute a public offer, and is not registered with the Securities Market Public Registry of the Peruvian Securities Market Commission, for use only with institutional investors as such term is defined by the Superintendencia de Banca, Seguros y AFP.

Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

Any opinions, forecasts represent an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation.

This document is for information purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock funds and has not been prepared in connection with any such offer.

If you are an intermediary or third-party distributor, you must only disseminate this material to other Professional Investors as permitted in the above-specified jurisdictions and in accordance with applicable laws and regulations.

Certain information contained herein has been obtained from published sources and from third parties, including without limitation, market forecasts, internal and external surveys, market research, publicly available information and industry publications. In addition, certain information contained herein may have been obtained from companies in which investments have been made by entities affiliated with BlackRock. Although such information is believed to be reliable for the purposes used herein, neither the Fund nor BlackRock assumes any responsibility for the accuracy or completeness of such information. Reliance upon information in this material is at the sole discretion of the reader. Certain information contained herein represents or is based upon forward-looking statements or information. BlackRock and its affiliates believe that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements are inherently uncertain, and factors may cause events or results to differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.