BEYOND GLOBAL MANAGEMENT

THE BRIEF

Private Credit – "The Opportunity of a Lifetime[1]"

October 2023 Market Report

*"**Hard Landing? Soft Landing? Who Cares**. Beyond's relative and absolute returns has the potential to perform in either market, with significant downside risk protection baked into our proven investment strategy. NOW is the 'opportunity of a lifetime[1]' for our Private Credit strategy – but collateral is key. As we advise our investors, wake up to the opportunities presented by a credit crunch, and lock in the potential for some phenomenal returns while we ride out this rollercoaster.*

Our unleveraged loans are getting equity-like returns as we continue to embrace the turmoil of the markets to deliver phenomenal results.

Want to know more? It's not a secret, and it's not rocket science. We have proven to get double-digit rates on historically conservative LTVs (on today's mark-to-market valuations) with hard assets to protect our principal[2].

So, for now, we'll let the talking heads continue to debate about the uncertainty of the markets, while we reap the rewards of this golden opportunity." – ***Foreword, Jenny Zhan, CFA***

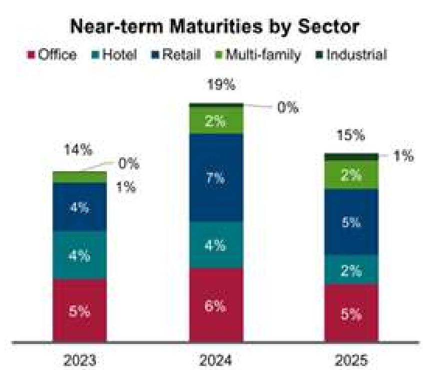
U.S. 10 Year Treasury:
4.58%

30-year Fixed Mortgage:
7.88%

Target Fed Rate:
5.25-5.5%

September CPI:
3.7% (year-over-year)

- **Near-term Credit Demand For Private Loans Backed by Hard Assets Has Potential for Growth:** Banks loans – which account for ~50% of overall loans to commercial & multifamily real estate – have seen growth effectively flattened out. Loan level data – including property type, LTV ratios and maturity dates – on these loans are relatively scant, making insights from the CMBS market especially valuable. Commercial mortgage-backed securities have begun to show cracks, as evidenced by some recent high-profile defaults on CMBS loans. The CMBS market is a key source of credit to real estate, representing ~20% of all commercial real estate loans outstanding while also providing visibility at the loan level. Research Firm, Green Street, has analyzed more than 15,000 CMBS loans totaling ~$375 billion in value, approximately 60% of the total CMBS market. Cumulatively, ~45% of these CMBS loans mature over the next three years ('23 to '25). Increased costs of debt and tightening lending standards can make near-term maturities tougher to address. Beyond's new credit to replace the maturing loans would require lower LTV ratios on top of higher interest rates.



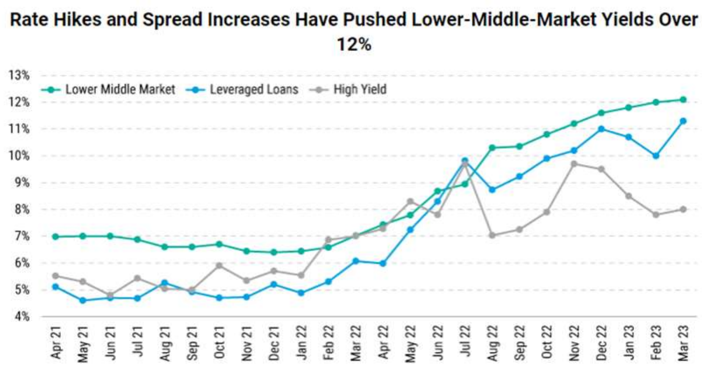
Source: Intex, Green Street

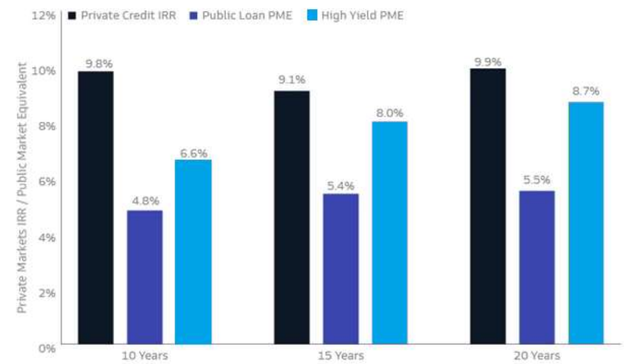
- **Banking Liquidity Issues are a Private Credit Blessing:** In the second quarter, regional banks accounted for 25% of all new commercial real estate loans worth at least $2.5M, a 900-basis-point drop from the first quarter, according to data published by capital markets research firm MSCI. It is by far the largest quarterly decline in market share for regional banks since MSCI began tracking the statistic in 2011. "It was a record collapse of [regional banks'] market share," MSCI Chief Economist for Real Assets Jim Costello.

  Although the sharp rise in interest rates that began in mid-2022 has suppressed capital markets activity across the commercial real estate industry, the mass pullback among small and midsized banks had a separate and well-defined trigger: Silicon Valley Bank, Signature Bank and Silvergate Bank being closed by regulators over a three-day period in mid-March.

  Anecdotally, regional banks have only become more conservative in the third quarter. The combination of shaken consumer confidence and a potential regulatory increase in capital reserve requirements looks likely to prevent regional banks from rejoining the party until interest rates begin coming down — which doesn't look likely in the near term.

- **Capturing the Opportunity from the Scarcity of Fresh Capital in Today's Market:** Importantly, 2023 has been a historically dry year for the capital markets. This typically leads to opportunities to be a provider of scarce capital at higher rates of return to investors. Beyond Global Management can further capitalize on this credit crunch by securing fundamentally attractive collateralized deals. Indeed, that is what we have been seeing in 2022 and 2023, as origination spreads on new loans have begun to widen back out after years of creeping tighter and tighter. Today's Private Credit environment is especially enticing for our specialist investment strategy, where there is less competition that can take advantage of wider spreads to lock in higher yields.





- **Private Credit Has Historically Outperformed – Especially in Times of Turmoil:** When it comes to Private Credit as an asset class, the numbers don't lie. When we compare Private Credit trailing 10-, 15-, and 20-years internal rate of return against the public market equivalent in the public loan and high yield markets, the private debt market has produced a higher IRR. To us, this shows that rare is the time NOT to invest in Private Credit relative to public credit markets.

  In good times, the Private Credit market has historically exhibited a variety of positive attributes for investors. For example, relative to more liquid public alternatives, it has offered the potential for a pricing premium, favorable asset/liability matching characteristics, credit-protective structural aspects, and incremental diversification.

  But we think turmoil may offer even better opportunities for Private Credit. Take the global financial crisis (GFC) as an example. In 2008 – 2009, Private Credit demonstrated resilience in a very stressed economic environment as protective structures such as financial covenants, required prepayment, or price and term renegotiation if borrowers were unable to stay within prescribed levels. Private Credit also offered the potential for opportunistic investments during the GFC as borrowers found the flexible, negotiated, and bespoke nature of the asset class to be supportive and were willing to pay a premium to access financing.

- **How Beyond Global Management Seizes This Opportunity:** As MSCI Chief Economist for Real Assets, Jim Costello, puts it –"If I'm a small bank in Missouri, I help small companies with their [commercial and industrial] loans to help them build small buildings," he said. "If I pull back, it's not as if debt funds can jump into those areas. Debt funds typically don't have their own origination networks and tend to do bigger loans. So, in those smaller markets, I'm worried to see what happens next."

  To elaborate, larger credit Funds managed by more mature Investment Managers have minimum deal size constraints that impact their ability to originate and underwrite small-to-medium sized loans. Beyond Global Management, a diverse and woman-owned emerging manager, is in the prime position to capitalize on fragmentation in the capital markets and deliver what we believe to be the potential for superior risk-adjusted returns to our growing investor base. We have our own inhouse origination network, and as a hardworking, opportunistic emerging manager, we are perfectly positioned and willing to do the hard labor in a challenging period on behalf of our investors.

~~Nuclear Winter~~ – Golden Opportunity

"Never let a good crisis go to waste." – Winston Churchill

As the 2023 Capital Markets have slowed year-over-year, and as public plans, endowments, PACE plans, and other allocators close FY 2023, we firmly believe that Q4 2023 is the optimal opportunity to capitalize on a confluence of events that have created a once-in-a-lifetime Golden Opportunity for collateralized Private Credit – but it won't last forever.

Sources and Important Disclosures

Sources: *Green Street*, Index; *Bisnow.com, 'Record Collapse'; MSCI*, September 2023 Data; *Goldman Sachs Asset Management*, *Understanding Private Credit 2022*; *Russell Investments*

1 – Quoted from Richard Byrne, Benefit Street Partners, April 2023, "Private Debt Market Outlook: The Opportunity of a Lifetime?" This statement is not one of material fact, but rather an opinion of Beyond Global Management LLC.
2 – Beyond Global Management Private Credit performance track record data is updated for Q3 2023 and can be provided upon request.
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