Antares CLO Platform

Quarterly Letter

As of March 31, 2023

Antares Capital Advisers LLC

ANTARES 1Q23 CLO REVIEW

Instability in the banking sector disrupted U.S. financial markets as the first quarter concluded. Antares analyzed the potential impacts of this situation to its own liquidity and to the performance of its portfolios and determined there was no material risk at this time given the limited exposure to the insolvent institutions and the well-diversified structure of its funding sources and portfolios. The recent bank failures and tightening credit availability have, however, kept recession odds elevated. Real US GDP growth was weaker than expected at 1.1% in 1Q23 with expectations of near-zero growth for 2Q-4Q23.[4,5]

Antares believes its balance sheet CLOs continue to benefit from an overall focus on high-quality portfolios predicated on an investment philosophy that avoids cyclical businesses and focuses on borrowers that have demonstrated stable cash flow, established market positions, and resilience through cycles. Antares balance sheet CLOs are constructed with highly diverse underlying portfolios, having exposure to nearly 200 unique borrowers per CLO, on average. Most borrowers are realizing the benefits from implementing price increases last year as many continue to experience positive revenue and EBITDA growth, albeit at a slower pace in general. Default rates are forecasted to rise but remain manageable; the US Leveraged Loan Index default rate is expected to climb from 1.3% in 1Q23 to 2.5–3.0% by March 2024, which compares to the 10-year average of 1.9%[6,7].

Antares issued its tenth balance sheet CLO in March, Antares CLO 2023-1, Ltd., a $500 million new issue transaction. In May 2023, Antares was named “Best Middle Market CLO Manager” by Creditflux at the annual CLO Manager Awards.

Antares CLO Overview[1]

- Strategy Launch: 2017
- CLO CUMA[2]: $9.8 billion
- CLOs Issued: 10
- Active CLOs: 10

CLO Platform Statistics

Total Weighted Average[1]:

- Spread: 5.4%
- Max Obligor: 1.0%
- Obligor Count: 192
- Par Build: 1.5%

Top Industry Exposures[3]:

- Healthcare & Pharmaceuticals: 17%
- Services: Business: 14%
- High Tech Industries: 13%

ANTARES CLO SUMMARY[1]

($ in millions)

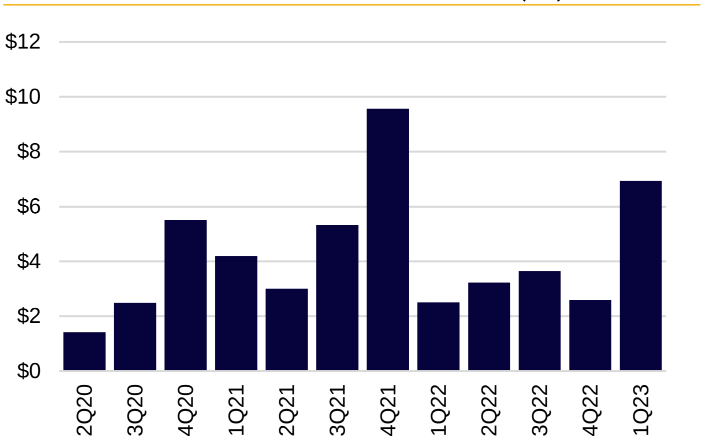
Deal Name	Intex Name	Original Closing Date	Refi / Reset Date	Target Par	Obligor Count	Latest Par Build	Defaulted % of Total Par[8]
Antares CLO 2017-1	ANTA171	05/18/17	03/18/21	$2,302	215	1.48%	0.00%
Antares CLO 2017-2	ANTA172	12/14/17	10/20/21	$1,373	206	1.08%	0.00%
Antares CLO 2018-1	ANTA181	05/16/18	-	$700	186	2.62%	0.00%
Antares CLO 2018-2	ANTA182	10/05/18	06/03/22	$1,200	201	0.80%	0.00%
Antares CLO 2018-3	ANTA183	12/20/18	-	$1,000	190	2.39%	0.00%
Antares CLO 2019-1	ANTA191	05/17/19	-	$500	184	2.95%	0.00%
Antares CLO 2019-2	ANTA192	01/30/20	-	$400	174	2.41%	0.00%
Antares CLO 2020-1	ANTA201	10/29/20	11/30/21	$700	166	0.71%	0.00%
Antares CLO 2021-1	ANTA211	07/15/21	-	$806	136	1.00%	0.00%
Antares CLO 2023-1	ANTA231	03/08/23	-	$500	-	-	-

U.S. CLO Market Review[1]

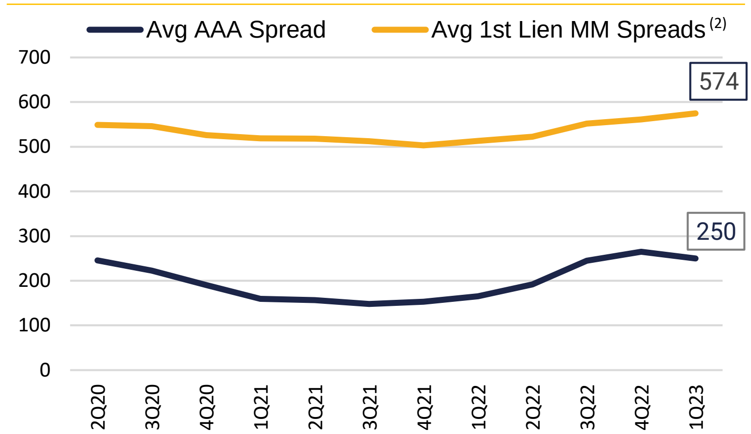
Middle Market ("MM")

Middle market CLO issuance has been strong to begin the year, increasing significantly quarter-over-quarter ("QoQ"), with $6.9 billion of issuance in 1Q23 versus $2.6 billion in the prior quarter. The issuance pace during the first quarter represents ~58% of total 2022 MM CLO issuance of $12.0 billion, which marked the second highest year on record. Additionally, MM CLO issuance in 1Q23 made up approximately 20% of overall issuance, compared to roughly 10% over the past few years, mirroring the recent trend of private credit taking market share from the syndicated market, while private credit managers appear to be more frequently utilizing CLO structures as an attractive financing option. Issuance levels were also strong in part due to liability spreads tightening QoQ while asset spreads widened, and the spread premium compared to BSL CLO tranches increasingly attracting demand from investors.

U.S. MM CLO New Issuance ($B)



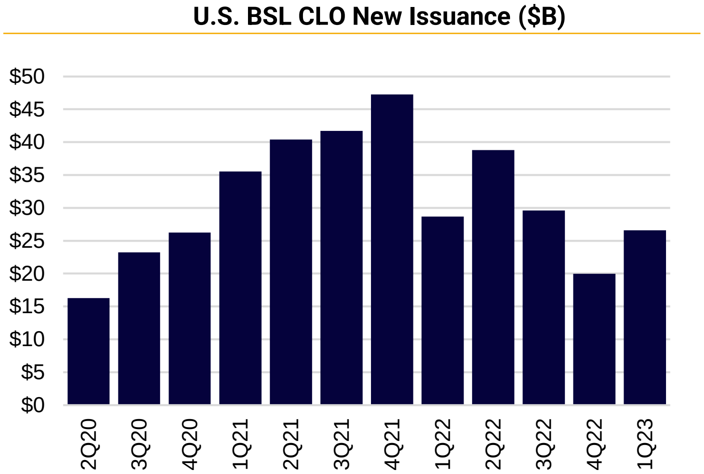
MM CLO AAA vs. MM Loan Spreads



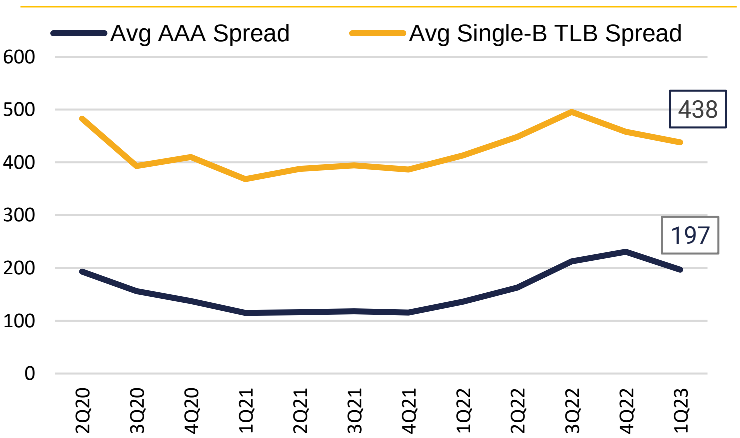
Broadly Syndicated Loan ("BSL")

BSL CLO issuance also increased QoQ, but at a more subdued pace compared to MM CLOs as banking turmoil drove price volatility in the BSL market, and the challenging arbitrage environment persisted. Overall, BSL CLO issuance totaled $26.6 billion in 1Q23 versus $20.0 billion in 4Q22. Although CLO spreads tightened during the quarter, they remain wide compared to historical levels and have generally decreased the expected returns of new issue CLO equity in the current environment. The weighted average cost of capital of new issue BSL CLOs in 1Q23 was 77bps wider than the prior year period, and nearly 100bps wider compared to 4Q21, the most active quarter of issuance over the last few years. Anecdotally, this dynamic has led to the majority of CLO issuance year-to-date coming from managers who have retained equity, or captive CLO equity funds.

U.S. BSL CLO New Issuance ($B)



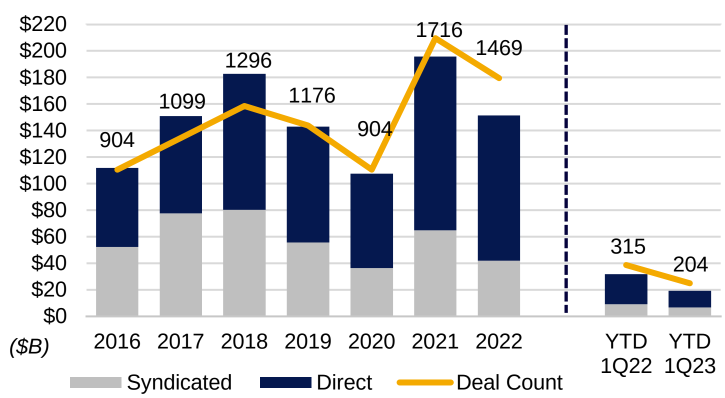
BSL CLO AAA vs. BSL Spreads



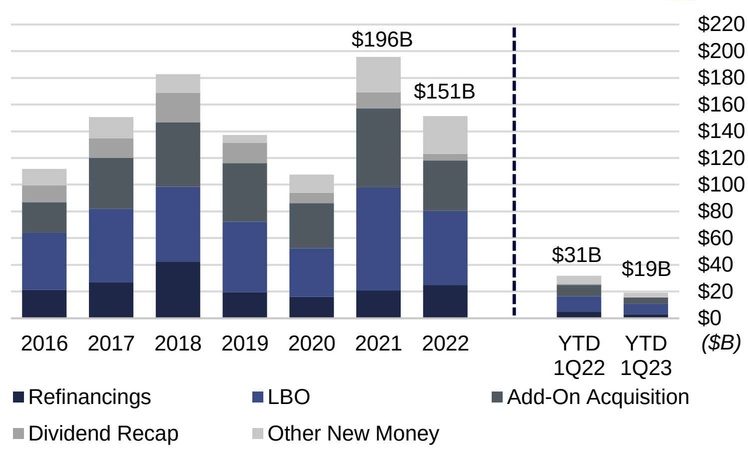
U.S. SPONSORED MIDDLE MARKET OVERVIEW(1)

U.S. sponsored middle market issuance of $19B in 1Q23 was down 40% year-over-year reflecting macroeconomic uncertainty and a widened gap between buyer and seller valuation expectations. Overall 'new money' activity was down relative to 1Q22, with sponsors bringing fewer deals to market, however there was a preference for issuers with EBITDA of $50MM+ as activity in that segment increased in 1Q23. A sharp drop in LBO volume weighed primarily on the syndicated segment of the market, with the ratio of transactions completed in the direct lending segment exceeding syndicated volumes by 4.7x in 1Q23 as borrowers continued to favor direct lending due to ease of execution. Business Services represented 21% of total quarterly volume and replaced Technology as the highest volume industry, which heavily outpaced all other industries in 4Q22. Business Services, Healthcare and Manufacturing were the primary drivers in 1Q23, totaling $7.5B, which represented 40% of total volume. As tighter, more lender friendly terms persisted throughout 1Q23, cov-lite deals remained a low percentage of sponsored middle market issuance, averaging 4.4% of volume over the last four quarters. DDTL volume decreased to ~12% of sponsored middle market loan volume as lenders continue to be cautious and look to reduce unfunded commitments and shorten deployment periods for these types of loans. Sentiment among direct lenders regarding the M&A environment is improving, with 48% expecting an increase in M&A activity during 2Q23.

Sponsored Middle Market Loan Volume

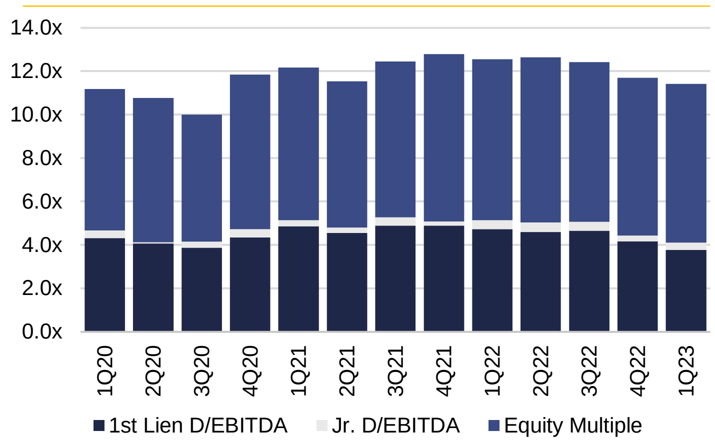


Sponsored Middle Market Volume by Deal Type

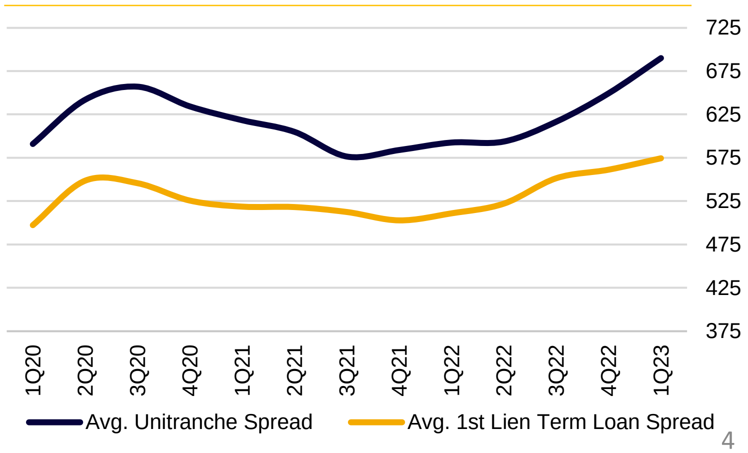


Supply demand dynamics continued to favor lenders throughout 1Q23, resulting in transactions with higher yields and lower leverage multiples. Total leverage levels on sponsored middle market transactions declined to 4.4x on average in 1Q23, the lowest level since 2016. Spreads in the direct segment of the market continued to widen throughout 1Q23 for middle market unitranche transactions and 1st lien term loans, which contrasts with the syndicated market where spreads were flat quarter-over-quarter. Higher base rates continue to contribute to more favorable yields overall, with average all-in-yields for 1st lien loans widening to over 12%. Unitranche and 1st lien term loan spreads ended the quarter at 691bps and 574bps, respectively. Average interest charge coverage ratios remained stable for middle market companies, increasing slightly versus the fourth quarter despite the rising cost of debt, supported by an increase in the average EBITDA of companies executing transactions. Purchase price multiples (PPMs) softened in 1Q23 amid limited LBO activity, declining to 11.4x on average from 11.7x in 4Q22. First-lien leverage multiples declined nearly 0.75x to 3.77x on middle market LBOs, resulting in equity contributions averaging 64%, an increase from 59% in 2022.

Middle Market Purchase Price Multiples



Average Middle Market Spreads



MANAGEMENT LETTER

SOFR TRANSITION UPDATE

Antares has made significant progress in converting existing loan agreements to utilize a SOFR reference rate ahead of the June 30, 2023 deadline. As of April 30, 2023, approximately 55% of the borrowers in Antares balance sheet CLOs have converted to SOFR. Antares' dedicated working team, along with a third-party provider, conducted a comprehensive analysis of all LIBOR/SOFR related provisions to identify any remaining loan agreements that required an amendment. For the majority of these loans, Antares strategically included hardwired fallback language that will automatically defer to a replacement rate plus a spread adjustment which requires no action at this time. For loan agreements absent hardwired language, Antares has amendments in process or is proactively reaching out to these borrowers to expedite the process ahead of the deadline. From a CLO perspective, two Antares balance sheet CLOs utilize SOFR as the reference rate for liabilities, and the remaining CLOs are scheduled to transition ahead of the deadline.

THOUGHT LEADERSHIP

Sectors, Opportunities, Expertise

Antares' CEO, Timothy Lyne, discusses the current market and insights from managing Antares' diversified portfolio. Listen to the podcast.

Trending Up: Middle Market CLOs

Hear from Antares' structured products expert on the continued growth of middle market CLOs.

A Standout That Stands Up Under Pressure

In this podcast, hear Vivek Mathew, Antares' Head of Asset Management, discuss why private debt is an attractive market for private debt players.

Private Credit: Well-Positioned in Today's Environment

Antares' Chief Investment Officer, Tyler Lindblad, shares five things to consider around private credit in uncertain times. Read the article here.

DISCLOSURES

Disclosure Statement

The materials presented herein are provided to you solely for discussion purposes and solely to provide background information about Antares Holdings LP ("Antares Holdings"), together with its consolidated subsidiaries and joint ventures whose equity securities or whose subordinated notes or other interests that constitute the economic equity therein, as applicable, is directly or indirectly majority owned by Antares Holdings, including, but not limited to, Antares Capital Advisers LLC ("ACA") (collectively, "Antares" and each individually an "Antares Party") and about the other matters covered herein and, except as set forth in the paragraph titled Confidentiality below, do not constitute an agreement, or an offer, commitment to offer, or agreement to sell any loans, securities or other assets including interests in any fund or vehicle described in the materials or advised or sponsored by an Antares Party or to enter into any other agreement and shall not be construed to create any fiduciary, advisory or other relationship or the provision of any investment advice or service. A private offering of interests in any fund or other investment vehicle sponsored by or any investment advisory arrangement entered into by ACA with any investment advisory client thereof (any such fund, investment vehicle or investment advisory arrangement, an "Advised Client") will be made only pursuant to the applicable documents relating to such Advised Client (collectively, the "Documents") including, but not limited to, a confidential private placement memorandum or other applicable disclosure documents (together with any modifications or supplements thereto, collectively with respect to a specific Advised Client, as applicable, a "Memorandum") and any investment advisory arrangement will be preceded by delivery of ACA's Form ADV Part 2 ("Brochure"). With respect to any specific Advised Client, the information contained herein will be superseded by, and is qualified in its entirety by reference to, the Documents and Memorandum relating to such Advised Client and the Brochure to the extent applicable to such Advised Client. The materials contained herein are not intended, nor should they be construed or implied, to be a recommendation or advice of any kind. The information set forth herein has been compiled as of the date(s) noted, is preliminary and subject to change. There is no obligation on the part of any Antares Party to update the information provided herein after the date hereof. No Antares Party nor any affiliate thereof represents or warrants the accuracy, completeness or reliability of any of the materials contained herein, either expressly or impliedly, for any particular purpose, and shall have no duty to update or correct any such information. Without in any way limiting the generality of the foregoing, you understand that certain of the historical or other information provided herein is based on information provided by predecessors in interest to Antares or by other third parties, and no Antares Party nor any affiliate thereof makes any representation or warranty regarding the accuracy, completeness or reliability of any such information. In no event will any Antares Party be liable for any losses or damages arising from or as a result of the use of the information or the materials contained herein.

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Except for any forward-looking statement contained herein, the materials presented herein relating to performance of Antares or of any Antares Party, its businesses and/or joint ventures and its assets are indicative only of the historical performance thereof (and, in certain instances, its predecessors), those businesses and/or joint ventures and such assets, as applicable. These materials are not intended to provide any assurance and should not be used to project or predict future performance of Antares, any Antares Party, any such businesses and/or joint ventures, any such assets or any Advised Client.

DISCLOSURES

The materials presented herein may include certain projections, forecasts and estimates that are forward-looking statements. Any such forward-looking statements are based on certain assumptions about future events and are subject to various risks and uncertainties. Forward-looking statements are necessarily speculative in nature and it should be expected that some or all of the assumptions underlying them will not materialize or will vary significantly from actual results. Accordingly, actual results will vary from the projections, and such variations may be material. Some important factors that could cause actual results to differ materially from those in any forward-looking statements contained in these materials include, without limitation, changes in interest rates, default and recovery rates, market, financial or legal uncertainties, the timing of acquisitions of loans, the types of loans acquired, differences in the actual allocation of loans from those assumed mismatches between the time of accrual and receipt of interest proceeds from the loans and whether or not and how loan investments may be leveraged.

Definitions

The reporting period end date is noted on the report cover page. All portfolio metrics, performance and loan-level information are presented as of this end date. Amounts contained in this report are unaudited and subject to change. Unless otherwise specified, principal balances used for analysis and presented in the subsequent pages are legal balances.

End Notes

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(1) Note: Past performance is not a reliable indicator of future performance and future results may differ materially. Source: Intex Solutions, as of April 2023 Monthly Trustee Reports. CLOs shown are those that are consolidated on the Antares balance sheet as of March 31, 2023. Antares CLO 2023-1 is excluded from CLO Platform Statistics until publication of first trustee report. Middle market CLOs consolidated on Antares' balance sheet have historically experienced no defaults as a result of being financially supported by the balance sheet. Weighted averages are based on funded principal amounts.

(2) Capital Under Management and Administration ("CUMA") is defined as the sum of, without duplication (i) for actively investing advised accounts (i.e., funds and separately managed accounts) and contract investor programs, the total equity commitments and, with respect to such actively investing advised accounts, maximum leverage limits per the limited partnership agreement or other governing document of such accounts as of March 31, 2023, plus (ii) for advised accounts or contract investor programs that are no longer investing, without duplication, total outstanding principal balance of loans and loan commitments held by such vehicles as of March 31, 2023, plus (iii) for advised CLOs that are not consolidated on Antares balance sheet, the sum of total outstanding principal balance of loans and loan commitments held thereby for investment, including cash, restricted cash and cash equivalents, as of March 31, 2023, plus (iv) for the consolidated Antares balance sheet (inclusive of CLOs that are consolidated within the Antares balance sheet), the sum of total outstanding principal balance of loans and loan commitments held thereby for investment, including investment securities (i.e., equity tags), cash, restricted cash and cash equivalents, as of March 31, 2023. For purposes of the foregoing clause (i), the maximum leverage limit included herein may be different from the actual amount of leverage applied in the case of any given account. Please contact Antares if you have any questions. Contract investor programs are not advised clients of Antares Capital Advisers LLC and are either self-directed or managed by a third party. For the avoidance of doubt, CUMA is not intended to be the same as (and is calculated differently as compared to) Antares Capital Advisers LLC's regulatory assets under management, as reported under Item 5.F on Part 1 of Form ADV.

(3) Calculated as a percentage of total funded principal balance (excluding cash and cash equivalents) across CLOs consolidated on the balance sheet as of March 31, 2023. Industry groups are based on Moody's 35 industry designations.

(4) The Wall Street Journal Forecast Survey as of April 2023.

(5) U.S. Dept of Commerce preliminary estimate.

(6) Morningstar LSTA Levered Loan Index - March 2023.

(7) Pitchbook LCD quarterly Leveraged Finance Survey – April 2023.

(8) Middle market CLOs consolidated on Antares' balance sheet have historically experienced no defaults as a result of being financially supported by the balance sheet.

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(1) Source: Pitchbook LCD. 1Q23 Quarterly Review and CLO Global Databank as of March 31, 2023.

(2) Source: Refinitiv LPC 1Q23 Private Deal Analysis. Average 1st Lien Term Loan spreads exclude unitranches and second-liens. Calculated by combining private data submissions with public league table submissions. Beginning 1Q22, data includes LIBOR and SOFR based deals, spreads do not include CSAs, unless embedded.

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(1) Source: Refinitiv LPC. This snapshot is a collection of 1Q 2023 data from external third-party sources covering the U.S. Sponsored Middle Market. Syndicated population includes deals that received league table credit, while Direct population does not. Population includes deal sizes up to $500MM if syndicated and up to $150MM if clubbed. The definitions and data utilized by the third-party sources to represent the respective markets may differ from those used by Antares to review its portfolio and the portfolios of its clients, bringing varying results when comparing the averages being referenced. For example, when referencing the "middle market," Refinitiv LPC includes only the underlying data of issuers with revenues less than or equal to $500MM; and a total loan package of less than or equal to $500MM.

Antares Capital Advisers LLC