BENEFITS OF A FITCH RATING

A rating from Fitch increases the marketability of non-public financing transactions as well as helps provide capital charge relief to investors who are subjected to NAIC (National Association of Insurance Commissioners) or other specific internal investment policies.

**Fitch delivers superior service by providing:**
- Industry expertise across asset classes including Corporates, Infrastructure & Project Finance and Commercial Real Estate
- Timely feedback
- Transparency in the rating process

**Proposed NAIC Changes Middle Market Loans (MML)**

Starting 2022 the number of NAIC designations increased from 6 to 20 making every rating notch important.

<table>
<thead>
<tr>
<th>Rating</th>
<th>NAIC Designation</th>
<th>New Capital Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBB+</td>
<td>2.A</td>
<td>1.261%</td>
</tr>
<tr>
<td>BBB</td>
<td>2.B</td>
<td>1.523%</td>
</tr>
<tr>
<td>BBB-</td>
<td>2.C</td>
<td>2.168%</td>
</tr>
<tr>
<td>BB+</td>
<td>3.A</td>
<td>3.151%</td>
</tr>
<tr>
<td>BB</td>
<td>3.B</td>
<td>4.537%</td>
</tr>
<tr>
<td>BB-</td>
<td>3.C</td>
<td>6.017%</td>
</tr>
<tr>
<td>B+</td>
<td>4.A</td>
<td>7.386%</td>
</tr>
<tr>
<td>B</td>
<td>4.B</td>
<td>9.535%</td>
</tr>
<tr>
<td>B-</td>
<td>4.C</td>
<td>12.428%</td>
</tr>
<tr>
<td>CCC+</td>
<td>5.A</td>
<td>16.942%</td>
</tr>
<tr>
<td>CCC</td>
<td>5.B</td>
<td>23.798%</td>
</tr>
<tr>
<td>CCC-</td>
<td>5.C</td>
<td>30.000%</td>
</tr>
<tr>
<td>Unrated</td>
<td>6</td>
<td>30.000%</td>
</tr>
</tbody>
</table>

**Source:** NAIC

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**OVERVIEW OF CORPORATE RATINGS PRODUCTS**

<table>
<thead>
<tr>
<th>Initial Stage</th>
<th>Main Rating Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicative Rating</strong></td>
<td>Private Rating</td>
</tr>
</tbody>
</table>
| Description | • Cost-effective, confidential point-in-time rating | • Non-public financing transactions | • General corporate purposes  
• Financing purposes |
| Reference | • Point-in-time | • Monitored | • Monitored |
| Notch Specific | • Yes | • Yes | • Yes |
| Output | • Confidential rating letter  
• Issuer Default Rating (IDR)  
• Recovery Rating  
• Security Level Ratings | • Confidential rating letter  
• Issuer Default Rating (IDR)  
• Recovery Rating  
• Security Level Ratings | • Rating Action Commentary |
| Parties Involved During Rating Process | • Asset managers and/or investors | • Asset managers and/or investors | • Asset managers, investors and/or issuers |
KEY RATING DETERMINANTS  CREDIT OPINIONS*

**Regression-based Model Credit Opinions**
Issuer Default Credit Opinion (IDCO) from regression-based model is driven primarily by four major inputs:
- Revenue
- EBITDA
- Total Debt
- Interest Expense

Final IDCO, security level rating and recovery rating are subjected to an analytical overlay including:
- News Check
- Liquidity Analysis

**Analyst-based Credit Opinions**
IDCO from analysts is derived from a robust analytical process by sector experts.

Credit opinions (COs) use a published rating scale, but either omit certain analytical characteristics of a rating, or match them to a lower standard than in a credit rating. The limitations of COs, compared to a rating, include: "point-in-time" coverage, limited information availability and review, an abbreviated surveillance review process in certain cases, and reduced robustness of outlooks and watch status. These limitations are consistent with the terms of their application within a pooled asset context, and are clearly signaled in the notation used to identify COs.

* In the United States, credit opinions are typically completed for a pool of loans to be used for CLO or Loan Fund ratings. In Europe, credit opinions are offered for individual credits or as part of a program.

FITCH’S MIDDLE MARKET LOAN COVERAGE

Continued steady growth in PMRs for US market

~350 PMRs covering $60B+ in debt

Privately Monitored Ratings

Q1 2019 Q2 2019 Q3 2019 Q4 2019 Q1 2020 Q2 2020 Q3 2020 Q4 2020 Q1 2021 Q2 2021 Q3 2021 Q4 2021 Q1 2022 Q2 2022 Q3 2022 Q4 2022 Q1 2023 Q2 2023 Q3 2023
Coverage figures include public ratings, private ratings and credit opinions.

Notable Relationships

**Fitch-Rated US Business Development Corporations**
- Ares Capital Corp.
- Bain Capital Specialty Finance
- Barings BDC Inc.
- BlackRock TCP Capital
- Blackstone Secured Lending Fund
- Capital Southwest Corp.
- FS KKR Capital Corp.
- Goldman Sachs BDC
- Golub Capital BDC, Inc.
- Hercules Capital Inc.
- Main Street Capital Corp.
- Morgan Stanley Direct Lending Fund
- New Mountain Finance
- Oaktree Specialty Lending Corp.
- Owl Rock Capital Corp.
- Owl Rock Capital Corp. II
- Owl Rock Capital Corp. III
- Owl Rock Technology Finance Corp.
- Sixth Street Specialty Lending, Inc.
- SLR Investment Corp.

**Fitch-Rated US Middle Market Loan CLOs**
- AllianceBernstein Private Credit
- Antares Capital
- Bain Capital Credit
- Blue Owl Capital
- Brightwood Capital Advisors
- Carlyle Group
- First Eagle Investment Management
- Golub Capital
- Guggenheim Investment Management
- Ivy Hill Asset Management (Ares Capital)
- MidCap Financial
- Monroe Capital
- NXT Capital
- Pennant Park Capital
- Panagram Structured Asset Management
- WhiteHorse Capital

In the United States, Fitch has engagements with numerous asset managers and investors to provide private ratings for middle market loans.
### PRIVATE MONITORED RATING

#### INFORMATION REQUEST LIST

**Information request for a new Private Monitored Rating (PMR) if available:**

| Deal Information | · Detailed capital structure including preferred equity, mezzanine and sub-debt  
|                  | · Lender Presentation/Bank Book/Info Memo with clearly stated Sources & Uses table.  
|                  |   If unavailable, other investment/Sponsor presentations should be provided  
| Financial        | · Audited financials (3 years or more)  
|                  | · Current & prior interim financials (monthly, quarterly or semi-annual)  
|                  | · Projections  
|                  | · Quality of earnings report (if available)  
|                  | · Management Discussion and Analysis  
| Legal Documents  | · Credit agreement, inter-credit agreement and other related debt documents  
|                  | · Other related debt documents including stock/preferred equity agreements, mezzanine or other sub-debt documentation  
|                  | · Amendment documents  
|                  | · Last two covenant compliance certificates  
| Documentation for Healthcare PPME Structures | · Management service agreement  
|                                                | · Deficit funding agreement  
|                                                | · Stock transfer restriction agreement  
|                                                | · Any additional documents related to PPME structure as defined in the “PC Documents”  

**On a periodic and ongoing basis, the following items (if available) should be supplied to update an existing PMR:**

| Quarterly Updates | · Quarterly compliance  
|                  | · Quarterly financials  
|                  | · Updated lender presentation  
| Annual Updates or Credit Events | · Audited & interim financial statements since initial submission (if any)  
|                                   | · Amendment documents since initial submission (if any)  
|                                   | · Covenant compliance since initial submission (if any)  
|                                   | · Notification of change to capital structure & legal documents  
|                                   | · Supporting documents (including stock/preferred equity agreements, mezzanine or other sub-debt documentation)  
|                                   | · Updated lender presentation  
|                                   | · Projections  
|                                   | · Management Discussion and Analysis  

Note: Annual financial statements should be audited by an accounting firm that is registered with the Public Company Accounting Oversight Board (PCAOB) and be in good standing with the PCAOB. In the event that audited financial statements are not available for the initial rating (for example a spinout from a larger conglomerate), it is expected that the future audited statements would be audited by a PCAOB registered accounting firm and a quality of earnings should be provided in place of the audit. Confirmation required from requestor that financials will be audited over the next 12 months before analytical work commences.

Note: Please note that this is not a comprehensive list and it is in the analysts’ discretion to request additional information / documentation to complete a Private Monitored Rating.
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