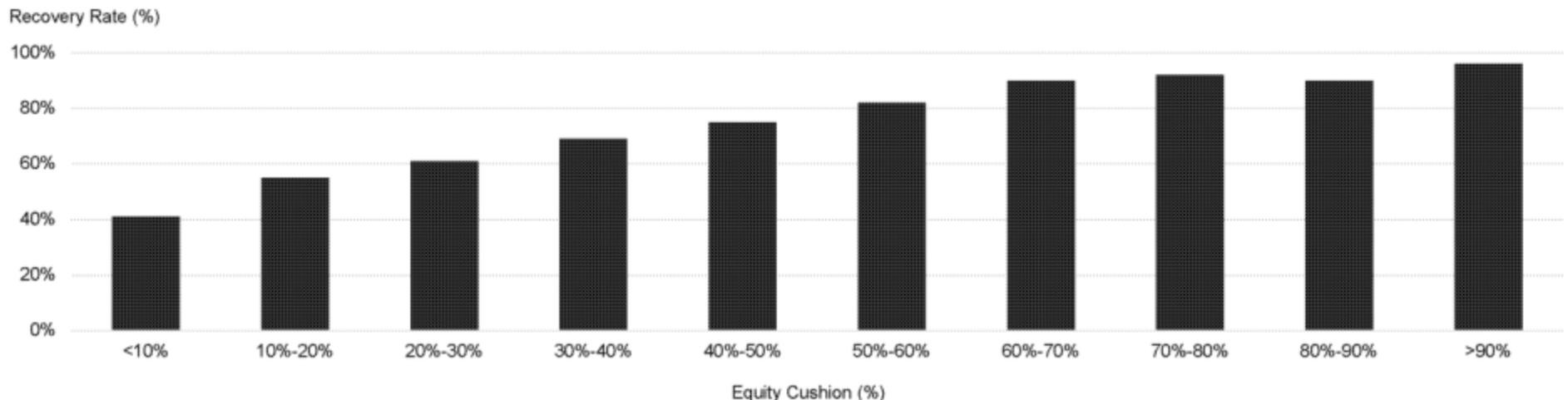




# Investment Equity Cushions Support High Recovery Rates Historically

- Portfolio Advisor investment selection emphasizes meaningful equity cushion and places significant value in analyzing values of investments
- Portfolio Advisor calculates equity cushion at the time of investment and updates underlying investment valuations each quarter
  - Valuation using complementary methods, including DCFs, public trading comparables, and precedent M&A transactions with consideration of equity contributions (and book values)
  - Portfolio Advisor valuation work is prepared utilizing a conservative investment case

## Distribution of Recovery Rates by Equity Cushions<sup>1</sup>



(1) Instrument Discounted Recovery from Moody's "Lessons from a Trillion Dollars in Defaults" April 2017. An equity cushion may not guarantee against a potential rating down-grade.