

The background of the slide features a detailed, grayscale image of classical architecture. It shows a section of a building facade with two large, fluted columns. The columns are topped with ornate Corinthian capitals, which are decorated with acanthus leaves and scrolls. Between the columns, there is a decorative pediment or frieze area. The entire image is overlaid with a semi-transparent dark blue filter, which makes the white text stand out. The text is centered and arranged in three lines: the first line is 'Turning Rock Partners', the second line is '2025 White Paper', and the third line is the subtitle in italics.

Turning Rock Partners 2025 White Paper

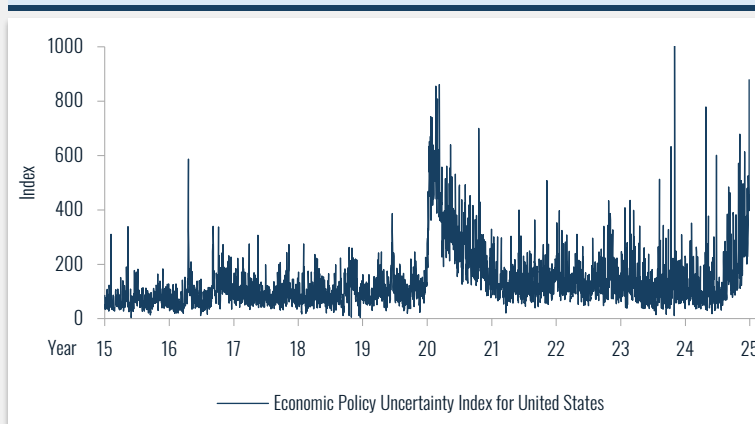
State of the Markets & Private Credit Outlook

Uncertainty is Back

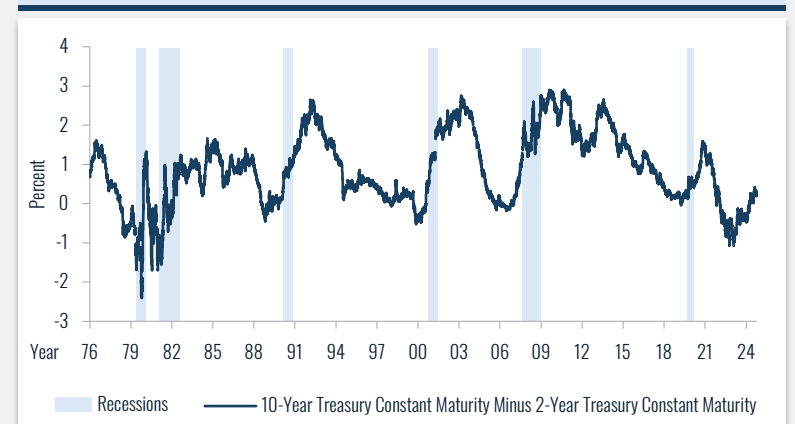
Economic indicators are mixed going into 2025. Unclear Fed policy and protracted global strife have accelerated uncertainty and are increasing volatility around outcomes.

Corporate leaders should be boosted by a pro-business US agenda but may lean back on their skis as it relates to spending and earnings plans until economic uncertainty abates.

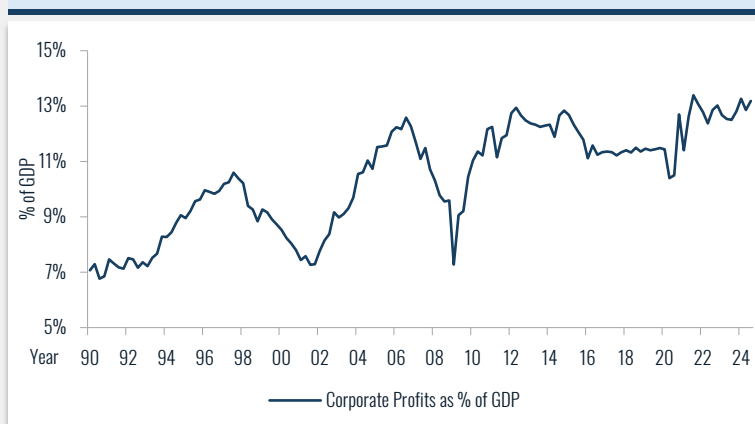
US Economic Policy Uncertainty On The Rise ⁽¹⁾



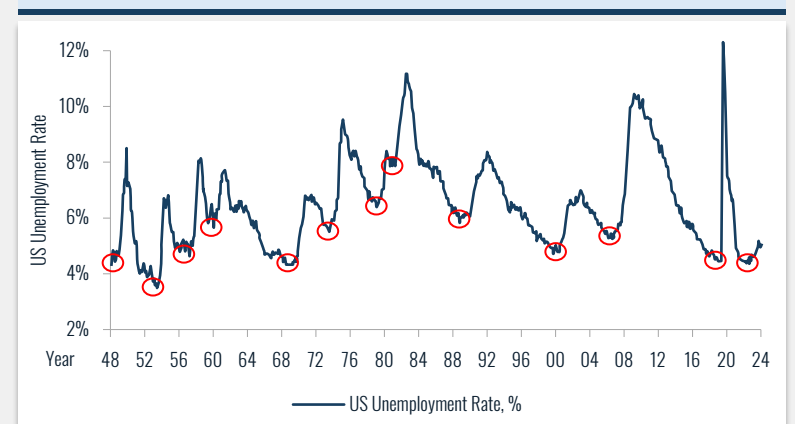
Yield Curve Points To Recession ⁽²⁾



US Corporate Profits Approach Record Highs ⁽³⁾



Unemployment Rate Is Low ⁽⁴⁾



1) FRED - Economic Policy Uncertainty Index for United States (USEPUINDXD). Data as of March 7, 2025.

2) FRED - 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity (T10Y2Y). Data as of March 6, 2025.

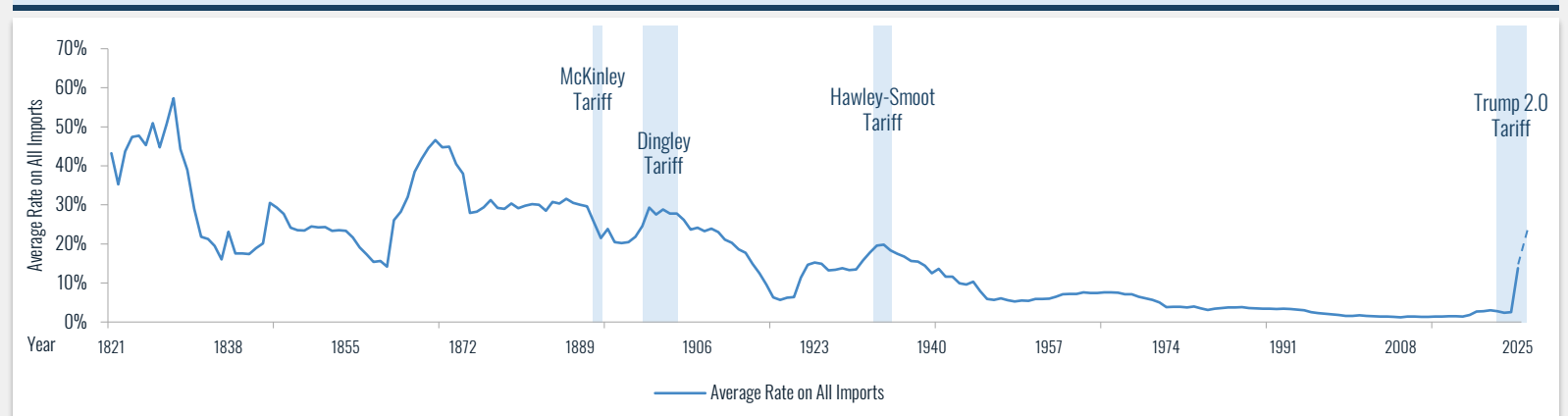
3) Bureau of Economic Analysis, Haver Analytics. Corporate profits are before tax and inventory valuation adjustment and capital consumption adjustment, as of Q4 2024.

4) Bloomberg Finance L.P., as of Q4 2024.

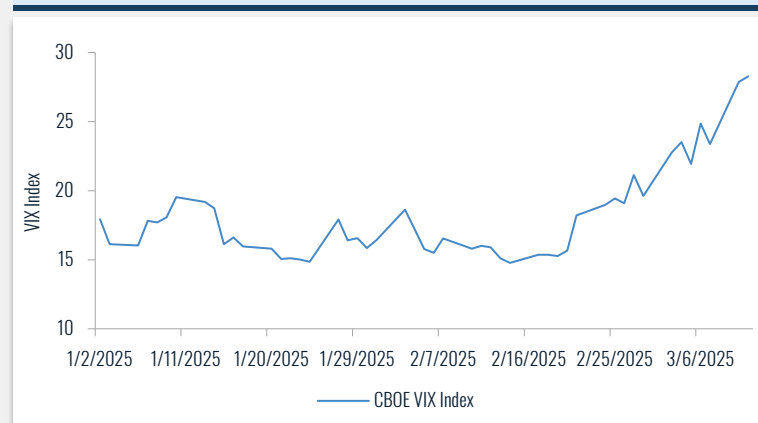
Trade Policy Drives Volatility

The administration's tariff policy is meant to enact change. Equity market volatility is accelerating, and credit spreads are widening. As markets anticipate short-run and long-term effects of tariffs and trade policy regimes, risk premia is widening.

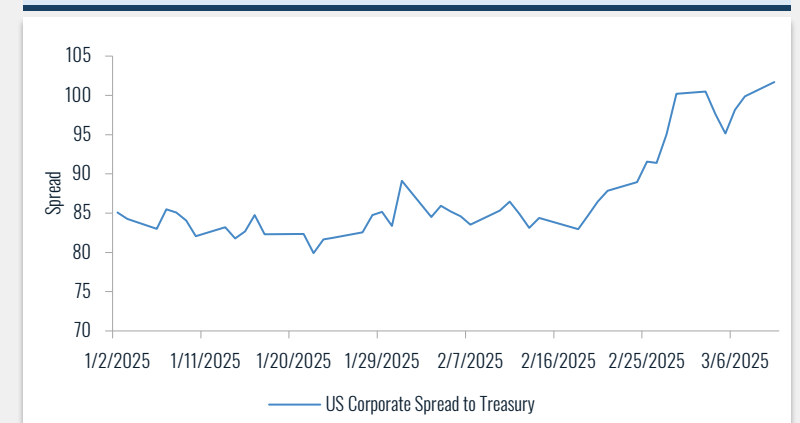
Tariff Policy Could Take Rates to 1939 Levels ⁽¹⁾



Equity Market Volatility Is Spiking ⁽²⁾



Credit Spreads Are Widening ⁽³⁾



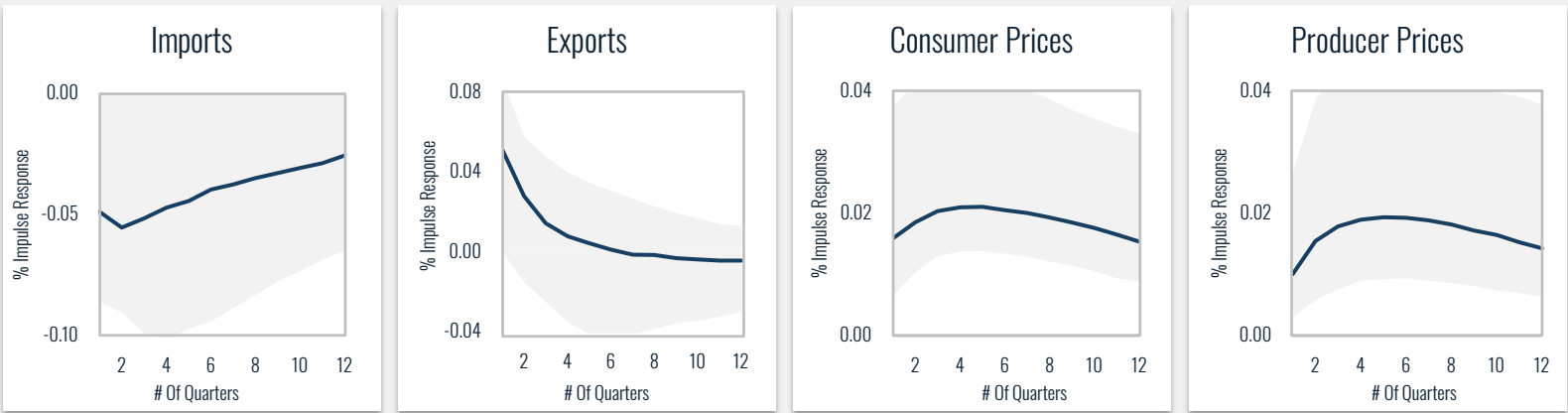
- 1) Tax Foundation - *Trump Tariffs: Tracking the Economic Impact of the Trump Trade War*, By Erica York. Article as of March 4, 2025. Note: Tariff revenue estimate uses an elasticity of -0.997, tax-inclusive rates, and a noncompliance rate. Source: US Census Bureau, Historical Statistics of the United States: Colonial Times to 1970, Part II: US International Trade Commission, "U.S. imports for consumption, duties collected, and ratio of duties to values, 1891-2023, (Table 1)"; Tax Foundation calculations.
- 2) Bloomberg - CBOE VIX Index. Data as of March 10, 2025.
- 3) Bloomberg - US Corporate AAA 10-Yr Spread to US 10-Yr Treasuries (BASPCAAA). Data as of March 10, 2025.

History As A Trade Policy Guide

History shows that the market response to tariffs is often knee-jerk and short-lived. Sentiment typically moderates after a few quarters as markets digest and adapt to the change.

Current tariffs are estimated to have the largest impact on imports and consumer spending, assuming they are fully enacted. To be determined is the duration of such tariffs.

Historical Responses Post Tariff Regime Introduction - Sentiment Typically Normalizes After A Few Quarters ⁽¹⁾



Estimated Economic Impact Of US Proposed Tariffs ⁽²⁾

Policy Action		Economic Impact (Range)					
US Trade Proposal	First cut: 25% incremental tariff on Mexican and Canadian imports and incremental 10% tariff on Chinese imports; more coming.	Headline PCE Prices	Real Consumer Spending	Real Investment	Real Exports	Real Imports	Real GDP
		0.3% to 0.6%	(2.0%) to (1.6%)	(2.2%) to (1.0%)	(1.3%) to (0.9%)	(5.1%) to (4.6%)	(1.1%) to (0.7%)

1) Boer L, Rieth M. The Macroeconomic Consequences of Import Tariffs and Trade Policy Uncertainty. IMF Working Papers. Impulse responses to trade policy uncertainty shock. Notes: The figure shows the responses to a trade policy uncertainty shock that doubles the standard deviation of innovations to tariff level shocks of the home country. The solid line refers to the point-wise median and the shaded area to the 68% credible set. Time period represents number of quarters from initial date of tariff event. Data represents the aggregate of tariff impacts from Q1 1960 through Q4 2019.

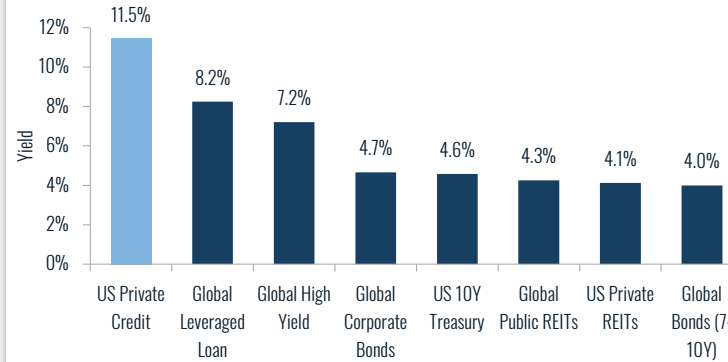
2) Morgan Stanley Research as of Feb. 21, 2025.

Private Credit Has Shown Resilience In Challenging Markets

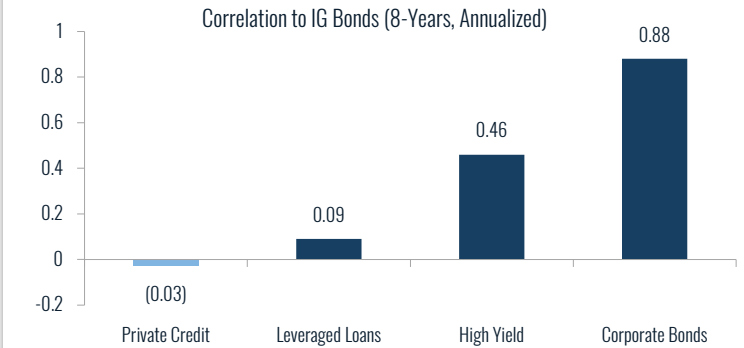
Investors in private credit have seen yields hold up and the asset class can offer diversification benefits versus traditional fixed income.

Default rates within alternative credit were more muted last year versus expectations. 2025 will present a new rubric but in general there remains consistent interest in the asset class.

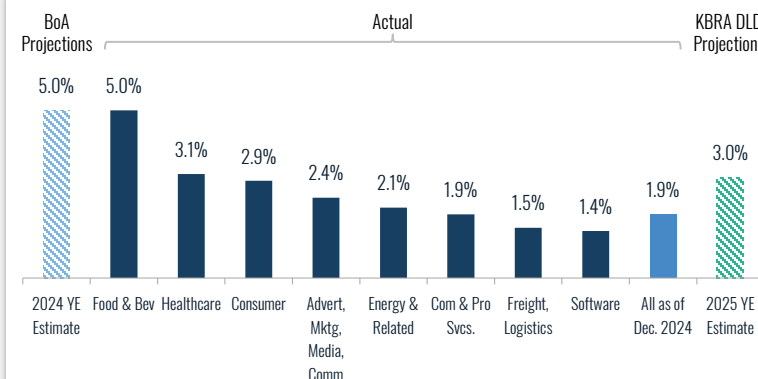
Private Credit Maintains Yield Premium ⁽¹⁾



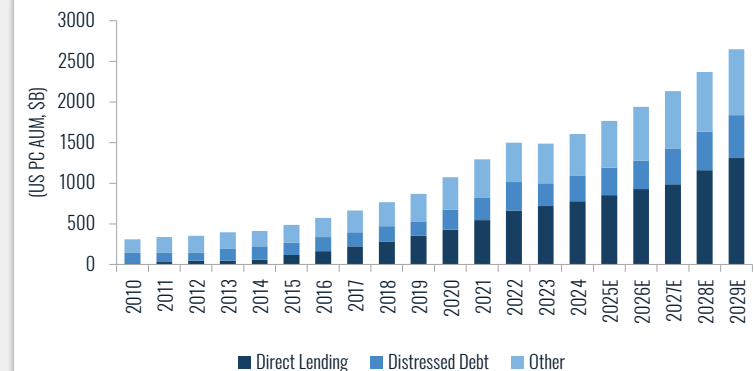
Portfolio Diversification Benefit ⁽²⁾



Defaults Lower Than Expected In 2024 ⁽³⁾



Investor Appetite For Private Credit Continues To Grow ⁽⁴⁾



- 1) Franklin Templeton Capital Markets Insights Group, Bloomberg, ICE BofA, Federal Reserve, FTSE, Cliffwater, Morningstar, S&P Global, NCREIF as of 31 December 2024. The indices used are Cliffwater Direct Lending Index for US Private Debt, Morningstar European Leveraged Loan Index for Global Leveraged Loans, ICE BofA Global High Yield Index for Global High Yield, FTSE EPRA Nareit Global REITs Index for Global Public REITs, NCREIF Fund Index - Open End Diversified Core Equity for US Private REITs, Bloomberg Global Aggregate (7-10-Year) Index for Global Bonds, US Benchmark Bond - 10-Year Index for U.S. 10Y Treasury, S&P International Corp Bd TR USD for Global Corporate Bonds.
- 2) Franklin Templeton, Cliffwater, Morningstar. As of Q3 2024. The indices used are Cliffwater Direct Lending Index for Private Credit, Morningstar LSTA US LL TR USD Index for Leveraged Loans, Bloomberg Corporate High Yield Index for US High Yield, U.S. Bloomberg US Agg Bond TR USD Index for US Bonds.
- 3) KBRA - Private Credit 2025 Outlook. Data as of January 14, 2025. Note: Sectors without a default or a rate below 1.5% are not shown and include Aero & Defense, Automotive, Building/Construction/Engineering, Chemicals, Glass, Plastics & Packaging, Financial & Insurance, Telecom, and Industrials & Manufacturing.
- 4) Fitch Ratings, Prequin. Data as of February 10, 2025.

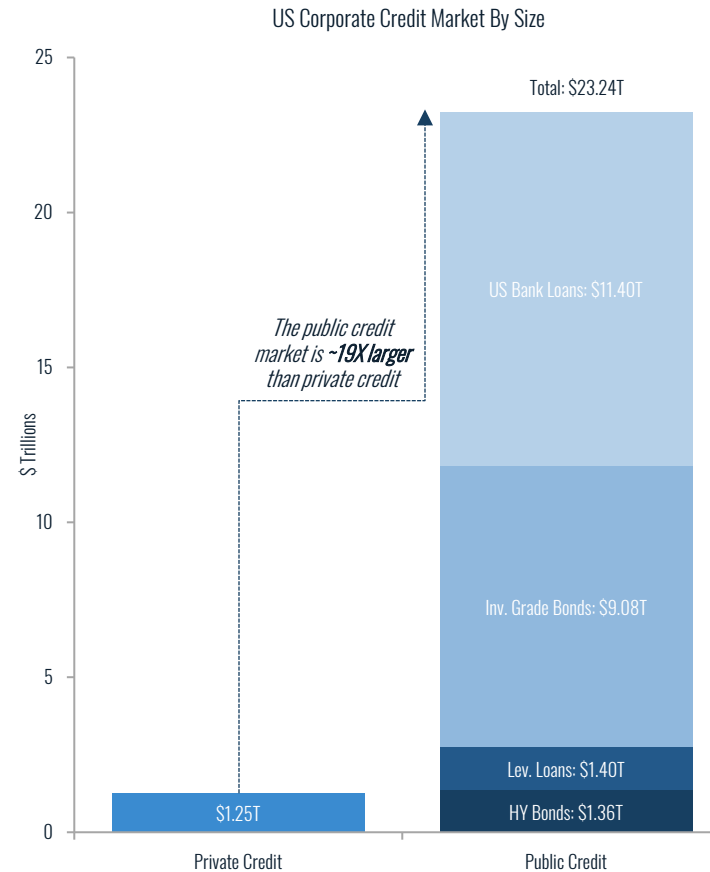
The TAM For Private Credit Is Robust

The asset class has grown significantly in the past decade, however compared to the public credit markets, is still dwarfed by the total demand for debt.

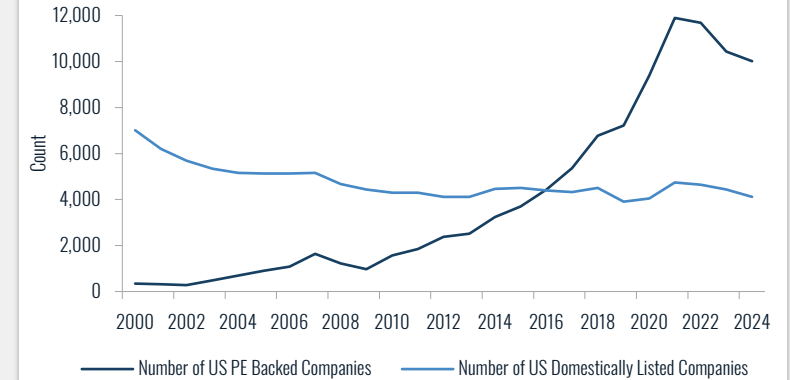
Just the count of PE backed companies is larger than the entire US public stock market.

Additionally, private credit is picking up steam, accounting for a larger share of Non-LBOs financed than the broadly syndicated loan (“BSL”) market. Investors are increasingly turning to private markets solutions over public markets.

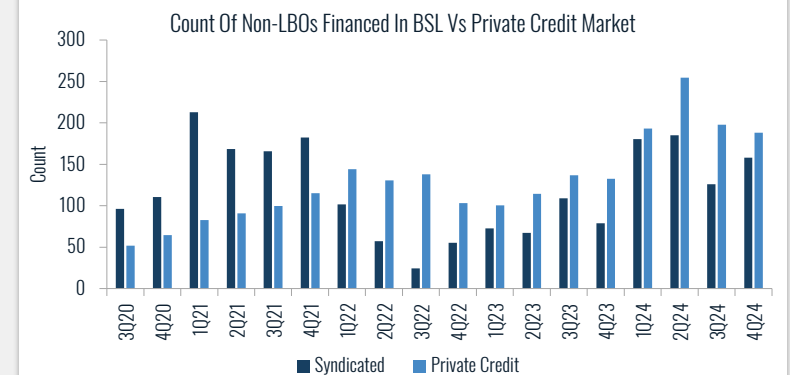
Private Credit Has A Lot Of Room To Grow ⁽¹⁾



The Opportunity Set In Private Companies Is Much Larger Than In Public Companies ⁽²⁾



Private Credit Has Been Financing A Growing Share – Eclipsing BSL Market ⁽³⁾



1) Pitchbook, BofAML, Bloomberg Finance, L.P., U.S. Federal Reserve, as of June 30, 2024.
2) World Federation of Exchanges, World Bank, PitchBook, Haver Analytics, as of Q3 2024.
3) PitchBook LCD, as of Q4 2024.

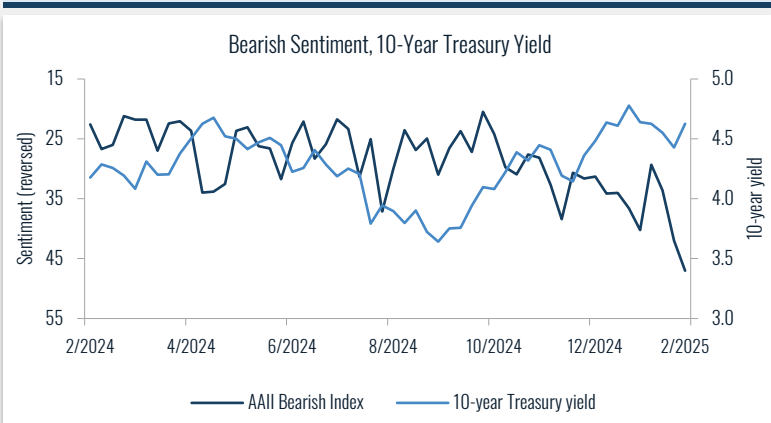
Opportunity In The Middle Market

Indicators point towards investors becoming increasingly bearish on stocks. The 10-year yield is near historical highs. Market signals point to lower confidence.

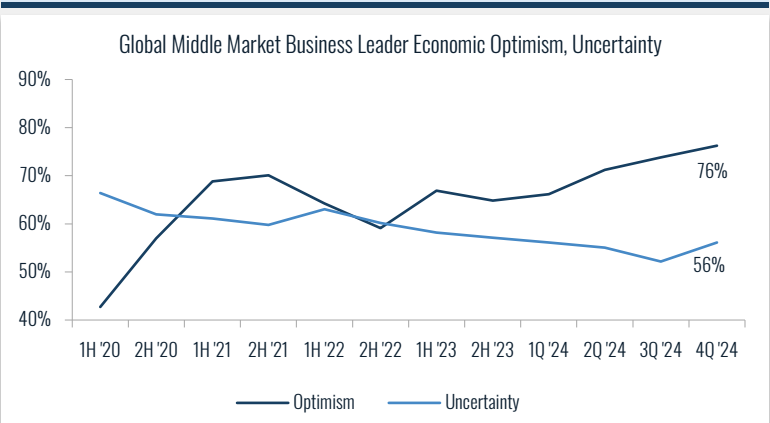
However, middle market business leaders are highly optimistic about the economy.

The US middle market has shown significant 12-month revenue growth, 6x the average growth in the S&P 500. Middle market business leaders have good reason to be optimistic, their companies are growing revenues at faster rates than the public markets. ⁽³⁾

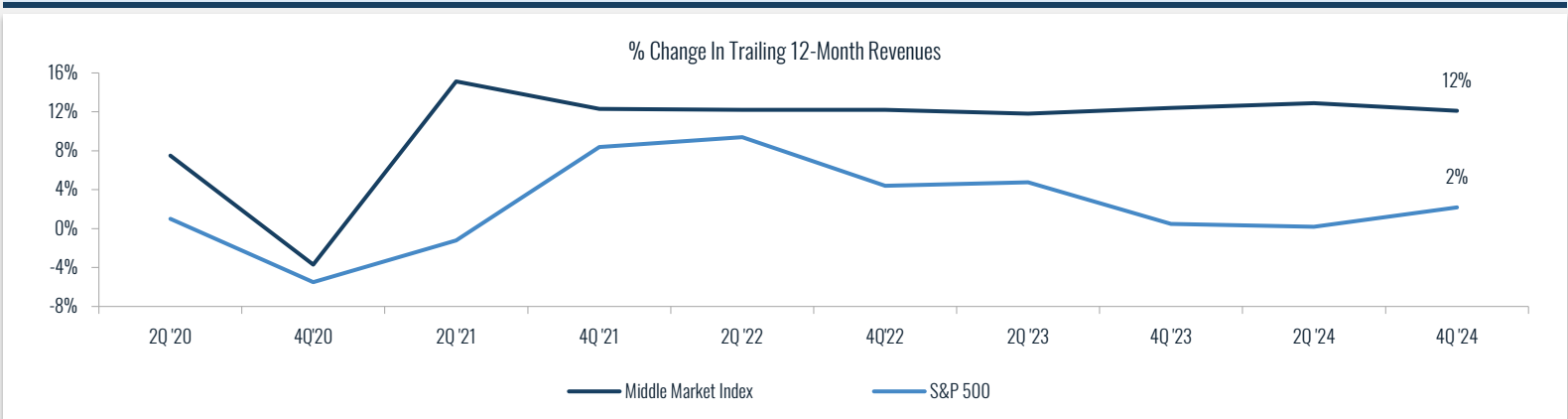
Investors Are Increasingly Bearish On Stocks ⁽¹⁾



Middle Market Business Leaders Are Bullish ⁽²⁾



And Here's Why: Middle Market Corporate Earnings Are Significantly Outpacing Public Stocks ⁽³⁾



1) Bloomberg Intelligence, L.P. as of February 13, 2025. AAI Bearish Index refers to the percentage of investors surveyed by the American Association of individual investors (AAII) who believe stocks will decline over the next six months.
2) Grant Thornton as of Q4 2024.
3) National Center for the Middle Market – Current Middle Market Trends. "What is the percentage of change in your company's current gross revenues compared to a year ago?" Data as of Q4 2024.

2025 Outlook

Markets have undoubtedly been challenging.

Our focus is on resilient business models that can withstand tariff whipsaws. We ensure moderate all-in leverage and require substantial equity cushion behind us. Keeping duration tight and working with management teams who have a history of execution in difficult market environments is paramount.



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