Proskauer

Private Market Talks:

Headlines, Headlines, Headlines with Ares' Kipp deVeer

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This is a special episode that we recorded live at Proskauer's flagship Private Credit Summit, part of its private capital event series. More than 200 capital allocators, lenders and investors joined us for an afternoon of lively discussion about private credit, fund formation and other hot topics. A highlight of the event was this conversation with the keynote speaker, Kipp deVeer, Head of Credit at Ares Management, which we recorded live for out Private Market Talks audience.

Ares is one of the world's leading private credit asset managers, so we took the opportunity to get Kipp's views on some of the most recent market trends hitting the headlines. We cover the impact of lower interest rates on loan volumes and returns, the probability of higher defaults, the fundraising environment, and the potential for dispersion among asset managers and consolidation within the industry. Click below to hear Kipp, live from the 2024 Private Credit Summit.

Peter Antoszyk: Welcome back to this episode of Private Market Talks, a Proskauer Podcast. I'm your host, Peter Antoszyk.

Earlier this month, Proskauer held its annual Private Credit Summit at our New York office, where we gathered over 200 leading investors and asset managers. During the summit, I had the unique opportunity to speak with Kipp deVeer, which we recorded for this episode so you wouldn't miss out. Kipp is Head of Credit at Ares Management. He is also a member of Ares' Executive Management Committee. As I'm sure many of you know, Ares is a global leader in private credit, so it was great to hear his perspective on the credit environment, where he sees opportunities, and he even responds to questions from the audience.

As with all our episodes, you can get a full transcript of this episode and other helpful information at www.privatemarkettalks.com. And if you enjoy this episode, let us know. We'd love to hear from you. So, enjoy the conversation.

Peter Antoszyk: Welcome, everybody, to our keynote panel. Appreciate you coming to the 2024 Private Credit Summit. I'm joined by Kipp deVeer. Many of you know him. Ares is a global platform. It has about $440, $450 billion of assets under management. What makes it particularly unique, I think, is that it is an industry leading private credit platform. So, I think it's fitting that he's here today to talk about current events.

Kipp deVeer: Thanks for having me. Happy to be here.

Peter Antoszyk: So, one of the things I used to do when my kids were little is we'd sit around the dining room table and do this thing we would call 'Headlines, Headlines, Headlines.' They'd read a paper during that day, and they could come up with a headline that we would talk about around the dinner table. And so, I thought it would be interesting to look at private credit and private equity, hot industries that, today, are always in the headlines. So, I had somebody pull, randomly, headlines from the Wall Street Journal and the Financial Times — recent headlines. And I thought that I would use those as a basis that you could react to those. Does that sound okay?

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Kipp deVeer: Yeah, I think I can handle that.

Peter Antoszyk: Okay. And as with any hot industry, and certainly private credit and private equity qualify for that, there's always positive and negative news. So, we'll get a little of both. So, with that, let's get started.

Kipp deVeer: Sure.

Peter Antoszyk: So, the story for 2023 in private credit and private equity were headwinds. Lot of geopolitical risk, a lot of higher for longer was the theme. And there was a lot of uncertain outlook. Things have shifted, I think, a little bit more recently, and we, of course, had the recent jumbo reduction of the interest rate by the Fed by a half point. And that led to this most recent *Wall Street Journal* headline: "Private credit expects rate cuts to lift loan volumes." Have you seen that?

Kipp deVeer: I think so. I think that's the common takeaway from a lot of folks, whether it's bankers, lawyers, folks in our business, private equity. If you go back two years and you asked a handful of us at Ares, I would have said we were reasonably pessimistic that there was going to be this very rapid sort of unexpected tightening cycle hitting the market. And if you'd found me two years ago, I would have been pretty nervous that it was going to create something that could turn into a problem.

I think two years later, I don't know exactly what a soft landing is, but we found something that feels a bit like a soft landing. And the prospect for trying to get deals done is back. I said probably a year ago that I thought deal activity would pick up a lot once there was consensus that rates had risen and plateaued, and they were unlikely to go up from there. I was wrong. That kind of happened a year or so ago. And I expected a really busy beginning of this year, which we didn't see actually. Ares, I think, did better than some others. Our market share was actually pretty good, and our origination and deployment and true direct lending was pretty good. But for most of the first and second quarter until we really audited what we were doing and what our numbers look like, we were like, "Man, oh man! It's so slow!" or "You know, I wish it would pick up." And while we did okay, we definitely have seen a significant pickup in activity, which is, which is great. I mean, obviously, the market's larger, and I think everybody's been waiting for more deal flow and certainly, a recent cut in rates and maybe the prospect of further cuts should only make that easier going forward.

Peter Antoszyk: Sure. Although, how recently, I think, tempered the expectation of what those old customers did.

Kipp deVeer: Yeah. I mean, I think, you know, we don't have a Chief Economist. We try to form kind of our views across our partnership in terms of how we see things. But I think we always believe that the yield curve is typically wrong. I think we believe it to be wrong and the rates will go down as quickly as the forward curves expecting. We're in the manage kind of in a higher for longer world. That's we're thinking about things.

Peter Antoszyk: Will the reduced, the lower interest rates put the L back in LBO though?

Kipp deVeer: There's a fair amount of L in LBO today, I'd say.

You know, it’s funny. It depends on how you calculate it, right? I mean when rates went up and you could pick, you know, we, in our direct lending business, we’ll finance companies that have 10, 15 million of EBITDA. We’ve gotten large enough now that we’ll finance companies that have 4 or 500 million of EBITDA, so depends which spectrum you’re at. The reality is, when rates went down, just the valuation of companies obviously exploded for 10+ years, and I think there’s a huge revaluing of assets today. We like to think about the business the same way that we have for 20+ years, which is what’s our forecast and based on a pro forma analysis, can the company sufficiently make interest payments and do all the other things that it wants to do. I personally, and my partners and I, think don’t put a lot of weight in the whole LTV, right? So, the LTV on a lot of direct lending looks very low, but as I always say, the V can reset pretty fast and I think it’s in the midst of resetting in a lot of different businesses. But look, I mean we’re still seeing probably six times leverage multiples in your average LBO. That’s pretty high relative to historical standards. You know, it’s down from where it had been, but when you think about six versus purchase prices that were 20, and now six versus purchase prices that might be 16 to 18, it sort of all just depends on how you want to look at it.

Peter Antoszyk: So, as with any hot industry, and certainly private credit qualifies for that, there’s always a concern when interest rates are going up, that defaults are going to rise, and when interest rates are declining, there’s a question as to whether you’ll be able to generate the returns. So, my question is I’m curious of your view of the relationship between the decline in interest rates and returns.

Kipp deVeer: Yeah. For the short-term period, you know, there are two or three key components of the return as you well know as everybody in this room knows. You charge upfront fees. You obviously have the base rate and then you have what's the spread that you're charging on top. So, when rates go down, inherently, investors who I would argue have been, you know, achieving really, really high risk-reward relative to historical periods and direct lending, we'll see returns go down. But that's, I think, in response to the fact that the economy is pretty good, and defaults actually really haven't materially gone up. They've been creeping up, but they haven't shot up. So, my guess is what's happened in the past is likely to happen again, which is if there's recognition that the economy slows, rates go down, defaults probably go up as time, you know, time is not a friend of an overleveraged company. It's the enemy of an overleveraged company. So, my guess is defaults will go up, but that's okay, because in our portfolios, we see defaults materially below the historical averages.

I've been expecting that they'll get up to historical averages and the following question is, "Do they blow through historical averages to wides that are scary?" And my answer to that has been, "No." And just, you know, having done this for a long time, it feels a lot like kind of 2001, 2, 3 where you actually saw some inflationary pressure. You saw a tightening cycle. You saw a modest increase in defaults that didn't really have a terrible effect on anything. There was a reset in equity valuations. There was a slowdown in growth and then you sort of picked up from there. It feels a lot like that period, 20 and change years ago. But this is a much larger market and a much larger industry if you want to call it that, and a lot of people participating in the business weren't around then, so they don't remember that environment.

But the last two big dislocations that we've had were global health crisis that no one had ever seen before and the threat of a financial system explosion/series of bank failures. There hasn't been kind of a regular just leaking out of credit where defaults go up and the economy slows, and people reset and revalue things, and you move on. I personally kind of feel like that's where we are today.

Peter Antoszyk: So, that kind of leads to our next one, which is, you know, speaking of defaults, there was a *Wall Street Journal* headline that said, "Default Odds Rise Among Riskier Middle Market Companies," and you talked a little bit about how you expect defaults to rise modestly, but not, you know, out of turn.

Kipp deVeer: Well, I think it's just middle market companies. I think it's any leverage company.

Peter Antoszyk: My question was going to be, are there particular industries that in your profile, because you have what, 2,000 borrowers?

Kipp deVeer: Across all of our credit platforms. The U.S. private credit portfolios today is about 600 if you're talking true just middle market direct lending, you know, in the U.S.

Peter Antoszyk: So, when you look at your portfolio and you slice it and dice it, are you seeing particular areas or sectors that are at greater risk or not —

Kipp deVeer: Today, not really.

Peter Antoszyk: — kind of, what's the characteristics of it?

Kipp deVeer: Today, not really. Coming through the COVID period, I would tell you that we started to see early signs of inflation by that fall. You know, just as we were not really even out of the pandemic yet, supply chains were very screwed up, to use a technical term. And then as you started to see people getting vaccinated and leaving their house, this was this incredible demand pull through as well for goods and for experiences, and everybody wanted to be on vacation and fly somewhere, just been cooped up in their house. So, that creates a lot of inflation, which we actually started to see mitigate by probably the early to the middle of last year. I think it's kind of a question of, you know where we go from here. But back then it was things that had pressure from the fact that folks, that labor was difficult. That people weren't going back to work. They wanted to do other things, in particular. We weren't the only ones.

Certain aspects of like the health, healthcare services, clinic-based stuff, where doctors, anesthesiologists, nurses, dentists had a lot of negotiating leverage to increase cost in a business. And you don't have a lot of pricing power in those businesses because you're billing insurance. You're billing the government. So, that was one. The other place that we saw some maybe general weakness coming out, maybe late '21 or, you know, early '22, was, as I said, companies that make things, right? We try to actually invest in service companies that have high margins and have pricing power. But the reality is if you make socks or you make food ingredients, you can raise prices seven times, but you can only charge so much for socks or food ingredients and you kind of tap out on that, and then, all of a sudden, you start to see pressure. But today, our watch list is actually pretty low. Our non-accruals are below 2% just using the BDC numbers with historical averages wider than that, and the names on the watchlist are sort of cat and dog from everywhere, so to speak, and there's not a lot of consistency as to, as to what it looks like today.

Peter Antoszyk: That's interesting. One of the criticisms of the private market — this is sort of a related headline, not direct, is that there isn't adequate transparency as to the integrity of the portfolios, investments, that it's opaque. How do you think about it?

Kipp deVeer: I find it sort of amusing. I mean, if you've ever read a bank annual report, try to figure out what they do and how they generate revenue.

Peter Antoszyk: There's no disclosure asset by asset, investment-by-investment. Like there is a problem.

Kipp deVeer: Like, I mean, I just take our BDC, right. And I think there's a lot of transparency and a lot of disclosure. Does that mean everybody can perfectly understand what the underlying is? If it's a company they've never heard of or it's a hold co, whatever. But if you go through a bank's annual report, it's not like they're laying out a schedule of investments that tells you every asset that they hold on their balance sheet and where they've marked it. We actually do that. So, I think it's a little bit of unfair criticism.

Peter Antoszyk: So, one of the things that has been the result of higher for longer interest rates and inflation is that there's been elongated hold periods for PE.

Kipp deVeer: For sure.

Peter Antoszyk: So, it's been a hot topic in the industry and it's led to this *Financial Times* headline, "PE Layered: Leverage Needs More Scrutiny." This is by a head of a large LP fund, and in the face of PE funds' struggle to exit investments, they're using more complex forms of borrowing. This asset manager suggests that this could accelerate things on the downside, and of course, we have seen an explosion of secondaries and continuation funds and NAV lending and other, you know, financial metrics. What's your view on, is this good for investors or is there a day of reckoning coming?

Kipp deVeer: I think that's very specific, frankly, to private equity, and doesn't have a lot to do with private credit, is my simple answer. But the numbers that we were talking about the other day, everyone's numbers are a little different, but roughly, you have $3 trillion of unrealized NAV private equity money in the ground and about 80% of that has been invested for four or more years, which is longer than the traditional period for private equity investment, which is why you see other headlines about LPs screaming about DPI and not getting capital back. And that's also why you see other headlines about why no one can raise private equity funds. And the dry powder of private equity today is about $1 trillion dollars, so that three to one ratio is very unusual over the course of my 25, whatever is my career, that ratio is typically 1:1, right. Today, it's 3:1. So, what breaks that log jam? I think unfortunately it's just time. To your earlier question, lower rates will help, but you have a very clear vintage of private equity that, call it from 2018, 19, until probably 2000 — until now, maybe until last year, paid very, very high, what's perceived to be, in retrospect, very high prices for assets that are no longer growing as quickly as they thought they would and can't delever as quickly as they thought they could, because rates are so much higher. And so much of cash flow is going to debt service. So, of course, all sorts of innovation has popped up to try to create distributions for LPs, whether it's NAV loans, continuation funds, secondary sales, which is private equity trying to work themself out of a corner.

I don’t think it has a lot to do with private credit. I mean, there are certain innovations that I like more than other innovations for private equity. And there are things that we feel better about at Ares and certain things that we feel less good about. We’re active in the NAV lending business. We obviously have a secondaries platform that can help with the continuation fund or do a structured solution in secondaries, or buy a manager and do a GP reset if we need to. But again, it doesn’t have that much for me to do with private credit. It has a lot to do with, again, the private equity folks trying to work themselves out of that period that’s created some issues for them with their LP’s.

Peter Antoszyk: Yeah, I guess, the elongated hold periods, there’s a relationship to private credit in the sense that there may be maturities coming due, or there may be recapitalization opportunities. I’m wondering if you’re at all concerned about that?

Kipp deVeer: Yeah, the last couple of years, particularly with rates having been this high and slowing growth, I think you’re really seeing a lot of the returns in credit eat into the returns in private equity, which is why there’s much interest, obviously today and over the last couple of years in particular, in private credit, because you’re really just earning so much relative to what the equity is most likely earning in those situations. We talked about the incumbency of our large portfolio all the time. We don’t get to a lot of maturities, but obviously if a company is longer in its hold period for a private equity firm and is getting towards a maturity, that gives us the ability with existing portfolio companies that we like to do resets, to do refinancings. And certainly, we take advantage of that in the large portfolio that we have.

Peter Antoszyk: So, you mentioned the impact of the inability of private equity to return funds to LP’s, impacting fundraising. And that leads to my next headline, actually, that appeared in the *Wall Street Journal* and it’s “Private Credit Fundraising on Track to Decline for the Third Straight Year; Low levels of Cash Distribution From Private Market Investments Curb New Commitments to Credit Vehicles.” But you just raised the largest private credit fund to date, I think it’s $34 billion.

Kipp deVeer: Someone told me.

Peter Antoszyk: So yeah, so what’s been your experience in the fundraising? What’s your, your view having just gone through the, the process?

Kipp deVeer: Yeah. I mean, I think I'll just broadly – my compliance people would be like whacking me on the hand with the stick or something – but I think broadly what you've seen over the last five years in particular, probably over the last 10, is most large institutions around the world, whether it's pension, insurance, sovereign, etc., have actually created a bucket for private credit for illiquid credit as a core allocation. And I can tell you that 10 years ago, that wasn't the case.

10 years ago, we would be convincing on one side of the aisle, a fixed income group that emphasized liquidity, that if they were willing to be less liquid, they could generate better risk-reward, and that their portfolios were probably too liquid. And on the other side of the aisle that, frankly, they were paying too much for private equity that wasn't delivering the returns that they'd hoped for. Over time, most of the large global investors figured that out and staffed this up with teams and hired consultants. And you know, do what everybody does to now view direct lending in particular as a core allocation, which is why there's been so much growth.

The market obviously has allowed for it too, and some of that has been the continued focus of banks focusing on larger deals and allowing us to expand our fairway from what used to be 10-100 million EBITDA to now 10-500, so our market's grown. And the addressable market's growing, and with it we brought the investor with us. So those two forces together have, have I think allowed for continued good fundraising. And I guess it's my minute for a commercial. I don't think this is necessarily a market that behaves the same way from manager to manager. So, we believe that the scale of our platform, the scale of our team, origination, the way that we manage risk is different, is better. We're able to attract better talent, retain better talent, see better deal flow, invest in the best companies, stay with them for a longer period of time. Those are all huge, huge advantages. And I think LPs get that. So, I think fundraising might be down a little bit, but I tell you I don't think it is for the top five to 10 players.

Peter Antoszyk: So, it's skewed towards the larger…

Kipp deVeer: We, if you look back to an Investor Day we did a couple of years ago, we talked a lot about the growth of kind of the top five. I think it was five or eight credit managers being 2x the rest of the market, because we really do again think they're scale advantages, and we think they're defensible, and we think that our LPs see them and invest behind that.

Peter Antoszyk: So, if the bigger are getting bigger and they're all getting bigger together, does that suggest that there'll be spread compression?

Kipp deVeer: I mean spreads typically compressed with good economies, low defaults. I'll give you my historical perspective, just having done this a long time. When a market institutionalizes, the rate of returns that are available go down, right? So, when a couple of my partners and I were doing this in banks years ago, before it was an industry, I mean I would say we used to do, you know, four times slower levered — you remember, but four times levered mess deals that had 16% coupons and owned 10% of the Company and warrants.

Peter Antoszyk: You're dating me.

Kipp deVeer: I'm dating myself too, but, so it's obviously come a long way from there, because you're talking about a lot more volume and a lot more sophistication and a lot more competition. We still think that the risk reward in the asset class is extraordinarily good relative to what you can get elsewhere, particularly in public markets. And that's been the long pitch, you know, have returns in senior debt, unitranche, mezzanine, blah blah, private equity, all that compressed over the last 20 years? Of course they have, because the businesses have gotten larger and institutionalized.

Peter Antoszyk: Have you seen a dispersion among managers?

Kipp deVeer: You're starting to see it. That look amongst kind of the public BDCs. You'll see some relatively large public BDCs that have nonaccruals running at 8% of the portfolio were at about one and a half. It's pretty early in a in a default cycle to be running 8% non-accruals. So, we think you're starting to see it and will continue to see it.

Peter Antoszyk: Do you think that it will lead to more consolidation in the industry?

Kipp deVeer: Yeah, we talked about this a little the other day, and we caught up. Unfortunately, performance has to get really bad for somebody to sell, because inherently they're probably giving up their job, right? I mean at our BDC, we bought two troubled, large BDCs in Allied Capital and American Capital. So, you know, "maybe" is my answer. And I, we've said, Mike and I and others have said, you know, acquisitions are great, but we want them to either bring capabilities for the most part, which those two companies really didn't. They brought asset portfolios at a discount, or they need to be cheap, which is why we bought them as asset portfolio as at a discount.

Peter Antoszyk: Probably one of the most significant trends in the private markets right now is access to the private wealth market. It could have a seismic impact, outsized seismic impact on the market. It represents a potential $40 trillion market.

Kipp deVeer: It's a very large number, but it has a different number, but it's a very large number, yeah.

Peter Antoszyk: Big, big. So, this leads to a *Financial Times* headline. "Firms Jostled to Sell Alternative Assets to Wealthy Investors; Critics Warn of the Risks in Selling Illiquid, Hard to Value Products to Less Experienced Investors." What's your view?

Kipp deVeer: I sort of agree with both, to be honest. So, we have about $25 billion of product sold so far through the well channel. So, we're putting as much energy behind it as others because this whole talk we've been having has been about the growth of private equity and private credit. I think if you're a mass affluent investor at home and you're reading the newspaper, and 2021 comes along where you earn a negative return on your equity portfolio and your bond portfolio and the 60/40 portfolio stops working, or is in question, you go to your financial advisor and you're like, "all I'm reading about in the newspaper is firm XYZ or Ares or one of our competitors, and they're buying this company and they're building this lending, like, why don't I have any of this in my portfolio?" Right, so it's certainly driven by an investor that's seeing the same trends. I think there's thinking, "Traditional markets aren't offering me great returns. All this private market stuff that I don't have any access to is offering great returns. How do I get it?" So, you know, RIAs, financial advisors at the wire houses and all have come to us over the years and said, we really need to design product for this channel.

So far, it's been largely REITs and BDCs. That's where the action has been. But I would guess that it will continue to grow into things like infrastructure and secondaries and other places where we think we're well positioned, and there will be demand, significant demand, whatever the number is from this channel. Does it come with risk? It does. So, we just need to make sure that the advisors that are selling the product are actually explaining the product well to their clients and their clients understand what they're buying. So, when we talk about wealth and what we're doing in the wealth channel, we talk a lot about education. And we spend a lot of time with the folks that sell our product to make sure they understand it and they're describing it appropriately to the clients. And then you have to manage the portfolios to actually be able to, you know, meet redemptions if you need to.

Peter Antoszyk: Are you looking at any new structures in order to get ahead of this trend?

Kipp deVeer: I mean not really, to be honest. It's REITs, BDCs, and interval funds so far, that's what's really carrying the day. I wouldn't say there's anything super new and innovative coming off the shelf.

Peter Antoszyk: We have about seven minutes left, and I just want to open it up to the audience. So, the question is, is the development of secondaries in the credit market?

Kipp deVeer: And — meaning secondary trading of private loans? Yeah, there seems to be a lot of talk, probably a good idea that there's talk about that in a large and growing market. The challenge for us tends to be that when we make those investments, we tend to actually not to want to sell them, right. We're sort of making them to hold them for our investors. That's what they hire us to do. So, I actually think that trading can provide the potential for good things like price discovery, the rating agencies to potentially come in and care about some of these probably larger names, and what that does is it unlocks pockets of capital that don't really have origination teams. So, it's, "can the pensions, can the insurers actually see something that feels more transparent, and participate in that market without putting the infrastructure in place that they need, you know, that we have, to go out and originate all this stuff and manage all this stuff?" Maybe. It's a nice idea that I think is very, very early days.

Peter Antoszyk: Does private credit represent a potential represent a, a potential systemic risk such that additional regulation, much like you might see with banks?"

Kipp deVeer: I didn't think we were going to get a systemic risk today. My simple answer is that is, no it doesn't, but we have dialogue with a lot of regulators. It's usually banking regulators actually, asking questions. So, Ares is a public company, so obviously we're pretty well regulated by the SEC. But I think about regulation differently, assets versus liabilities, so I think it's really about how you fund yourself. If you are an insurance company participating in direct lending, you're probably going to get regulated very differently than if you're an asset manager with a separate account from a large sovereign wealth fund. You're going to get, you're going to get looked at very differently, right? So, sort of, and frankly, the point about retail investors and high net worth, the more you touch in retail and high net worth, the more you expose yourself, my guess is, to, is your disclosure there is there enough transparency in what you're doing?

So, we keep it simple, and we say, "Listen, what we do is we do what the banks used to do in smaller companies, we deploy investment teams that go out and find investment opportunities." We tend to leverage our equity investors about 1:1, and most of our leverage comes from banks, and you regulate them. So, you've seen that, you know what that is, and we try to match our assets to our liabilities in terms of duration. And our goal is to hold those investments until they naturally realize, and the question is always, "Well, what if things don't perform to expectation," and you say, "Well then, the fund generates a 6% return instead of a 10% return." Like what happens then? Well, that's bad for a pension fund. Who needs a 7.5% payout? Like, is that systemic? I don't think so. Are there people that can potentially not do as well as they might have hoped, whether it's an insurance company or pensioner sovereign, sure, but it's sort of self-regulating, because if I tell you on funds one, two and three, then I'm going to do a 10% net return, and I do a six, a four, and a seven, guess what happens? I go away, and people start investing with other people, so it sort of regulates itself over time, and if you believe that there's no real explosion in the interim of me underperforming in three successive funds. You're talking about very sophisticated investors for the most part, who I'd argue know what they're getting into, and when you explain that to the IMF or to a regulator, they're like, that's pretty simple. It actually doesn't seem all that scary. You know, I don't think it is.

Peter Antoszyk: One last question. You have a fund called the Pathfinder Fund. I'd love to hear you talk about that a little bit.

Kipp deVeer: We do. Sure. So, you know, we have we have five businesses in our credit franchise, it's about 300 and something billion in assets today. Pathfinder is one of the funds in a division that we call "Alternative Credit." It's actually all four businesses, so it's loans and high yield, U.S. direct lending, European direct lending, and then our opportunistic credit business. Pathfinder sits in sort of what other people are calling specialty finance, asset-based, whatever we call it, alternative credit. We've seen a huge opportunity evolving as the banks have exited a lot of these more traditional asset-based strategies that, frankly, used to sit on bank prop desks that no longer can because of a lot of regulation changes in bank business models, etc. So Pathfinder, along with a series of other funds in that business, is trying to either make loans to or buy credit assets that are not companies. So, it's typically portfolios of leases, consumer finance, cell tower leases, healthcare receivables and royalties. So, it's anything that, again, is a contractual credit cash flow, but it's not a company. But there's a whole lot of other stuff going on there. It's actually, probably alternative credit as a whole, the fastest growing credit business we have in our in our credit franchise today.

Peter Antoszyk: Great. Well, thank you. I appreciate you joining us today. And thank you, listeners, for joining us on this episode of Private Market Talks.

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