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BRACCO
ASSET MANAGEMENT

FPPTA FALL TRUSTEE SCHOOL · CEU SESSION

Broadly Syndicated Loans: Senior, Floating, and Overlooked

An Extremely Compelling Corner Of The Credit Market

Tuesday, September 29, 2026 · Orlando, Florida

MAKE A CHOICE

If you could only own one of these for the next ten years, which would you pick?

ASSET A

PRIORITY IF THINGS GO WRONG

First in line, ahead of bonds and equity

2022 RATE SHOCK, PEAK TO TROUGH

Fell 6%

WHAT YOU'RE PAID TO WAIT

A coupon near 9%, resetting every quarter

ASSET B

PRIORITY IF THINGS GO WRONG

Last in line, after every lender

2022 RATE SHOCK, PEAK TO TROUGH

Fell 24%

WHAT YOU'RE PAID TO WAIT

A dividend near 1%

We believe every trustee in this room would choose A. Yet almost none of you own it.

A is a broadly syndicated loan. B is the S&P 500.

Almost every plan in this room owns a great deal of B. Very few own A and almost none have put them side by side.

THE INSTRUMENT

What you are actually lending, and to whom

THE RISK PROFILE

Why the hole is shallower and fills on a schedule

THE MARKET

Who owns it, and why that matters to you

A HABIT THIS ROOM ALREADY HAS



“If we avoid the losers,
the winners will take care of themselves.”

— Howard Marks, Oaktree Capital

Every trustee in this room was trained to protect principal first. A senior secured loan is underwritten the same way: paid before anyone else, backed by real assets.

Four features define a broadly syndicated loan

1

Senior

First in line to be repaid, ahead of bonds and equity

2

Secured

Backed by a pledge of the borrower's assets

3

Floating

Coupon resets with short-term rates

4

Public

Distributed broadly, transparently priced, and actively traded in a secondary market

Two of these protect your principal. One removes rate risk.
One creates a market to trade in that’s liquid and transparent.

The coupon has two moving parts



Base rate (SOFR), resets monthly, quarterly, or semi-annually

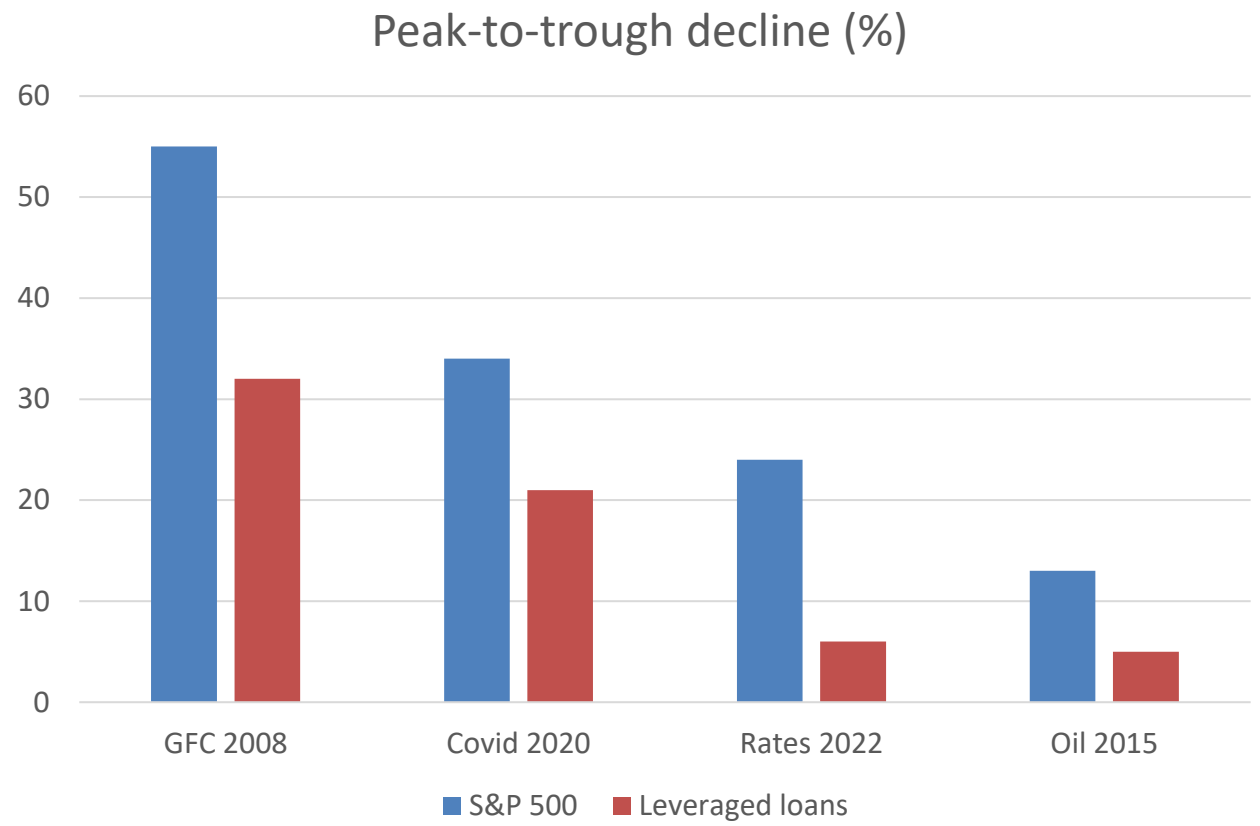
Credit spread over the base rate

All-in coupon, before credit losses

The base rate is the risk-free rate. The spread is your compensation for lending to this borrower.

(1) Illustrative estimated SOFR as of 9/9/2026. Credit spread is set by each BSL and can range from 2% to 5.50%. Total coupon is illustrative and estimated for conversational purposes only.

In every recent shock, broadly syndicated loans fell far less

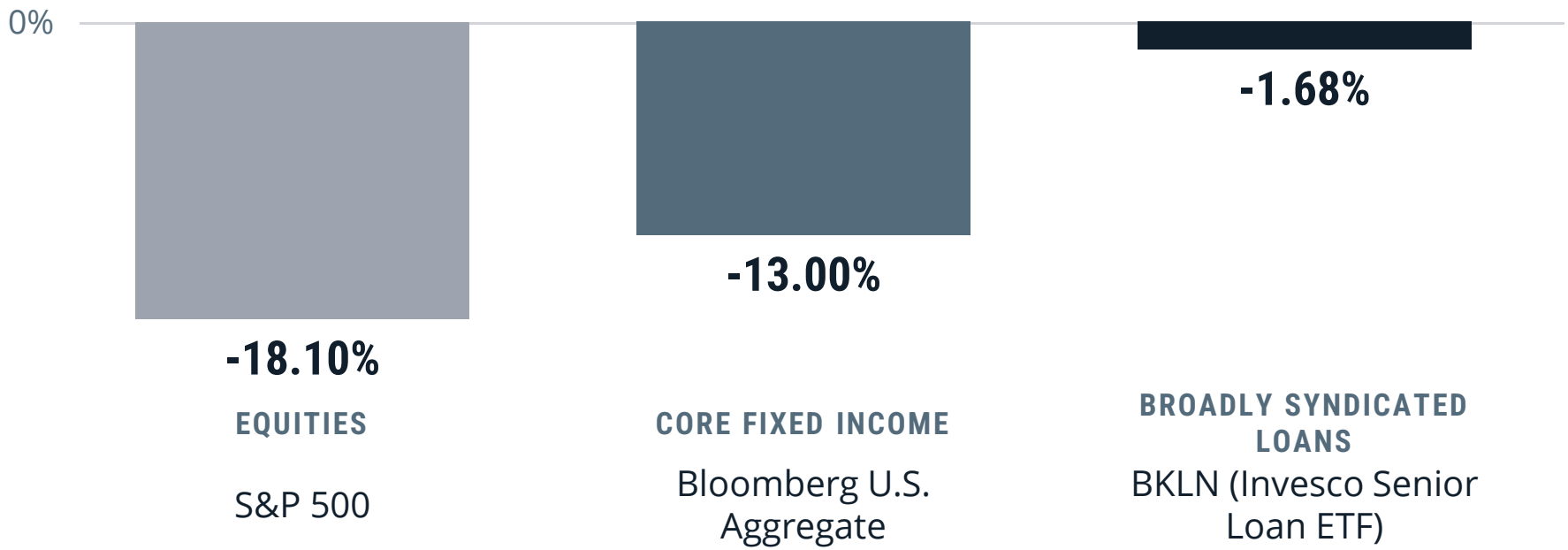


Declines, S&P 500 vs. broadly syndicated loans — GFC 55% / 32% · Covid 34% / 21% · Rates 2022 24% / 6% · Oil 2015 13% / 5%.

Source: Bloomberg, 9/9/2026. Past drawdowns are not a forecast,.

The one year it mattered most

Rising rates aren't supposed to hurt stocks and bonds at the same time, for the same reason. In 2022, they did.



A 60/40 portfolio had nowhere to hide. Floating-rate loans, with no duration to lose, were the one sleeve still standing.

Full-year 2022 total returns. S&P 500 and Bloomberg U.S. Aggregate per S&P Dow Jones Indices / Bloomberg; BKLN (Invesco Senior Loan ETF, a proxy for the Morningstar LSTA US Leveraged Loan Index) per Invesco, per the reference materials. Past performance is not indicative of future results.

Opportunity from price-insensitive owners

CLOs OWN 70% & BUY & SELL BY RULE

Ratings and diversification tests along with reinvestment limits force uneconomic behavior.

ETFs OWN 5-10% & BUY & SELL BY FLOW

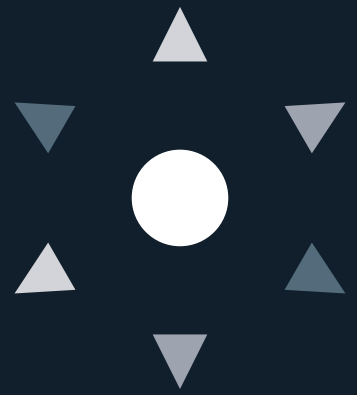
Money in means buy, money out means sell, on the same day either way.

INTERVAL FUNDS & BDCs BUY & SELL FOR CASH

Traded loans are the liquid sleeve funds use to manage inflows and redemptions.

- These investors are answering to a rule, a flow, or a cash need somewhere else.
- That is the textbook definition of a market where security selection (alpha) should be worth something.

WHY THE MISPRICING KEEPS HAPPENING



“Be fearful when others are greedy, and greedy when others are fearful.”

— Warren Buffett

CLOs sell because a rule tells them to, not because the credit changed. That isn't a market call. That's the opportunity, every time it happens.

The structure decides what you actually own

	PASSIVE (INDEX / ETF)	STRUCTURED (CLO TRANCHE)	ACTIVE (SECURITY SELECTION)
WHAT YOU OWN	The whole index, sellers included	A leveraged slice of the pool	**Loans chosen one at a time**
LEVERAGE ON THE STRUCTURE	None	Roughly 10x on the pool, built into the vehicle	**Modest, roughly 1-2x, on the same senior secured collateral**
TARGETED RETURN	The index yield only, roughly 8.5% today	Set by where you sit in the structure, not by credit selection	**Mid-teens net targeted, from selection plus modest leverage**
DOES IT CAPTURE THE MISPRICING?	No. You own the sellers too	No. You own the structure, not the selection	**Yes. That's the point of doing it this way**

Same underlying market. Three different products, doing three different jobs. Only one of them is designed to turn being right about a loan into extra net return.

Any return objective would depend on market conditions, credit selection, financing costs, leverage, defaults, trading costs, fees and other factors. There is no assurance that any target, objective or return level will be achieved, and investors may lose principal. This slide is illustrative and for educational discussion only. Not reflective of a Bracco strategy.

Where does a Broadly Syndicated Loan allocation fit?

A public, floating-rate credit sleeve can sit inside the existing fixed-income budget or as an alternative.

EX. FL P&F PENSION SYSTEM

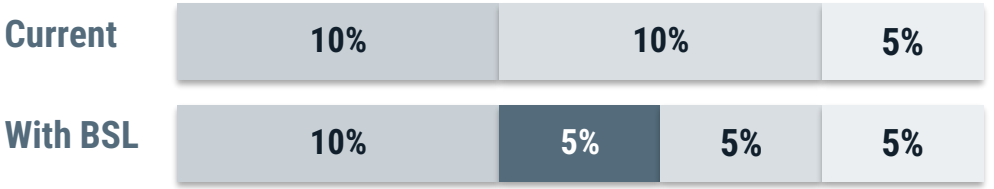
2025 policy target allocation



- Public equity 55%
- Real estate 5%
- Absolute return / infrastructure 10%
- Private equity 5%
- Traditional fixed income 10%
- Non-traditional fixed income 10%
- Cash 5%

ILLUSTRATIVE 5% BSL SLEEVE

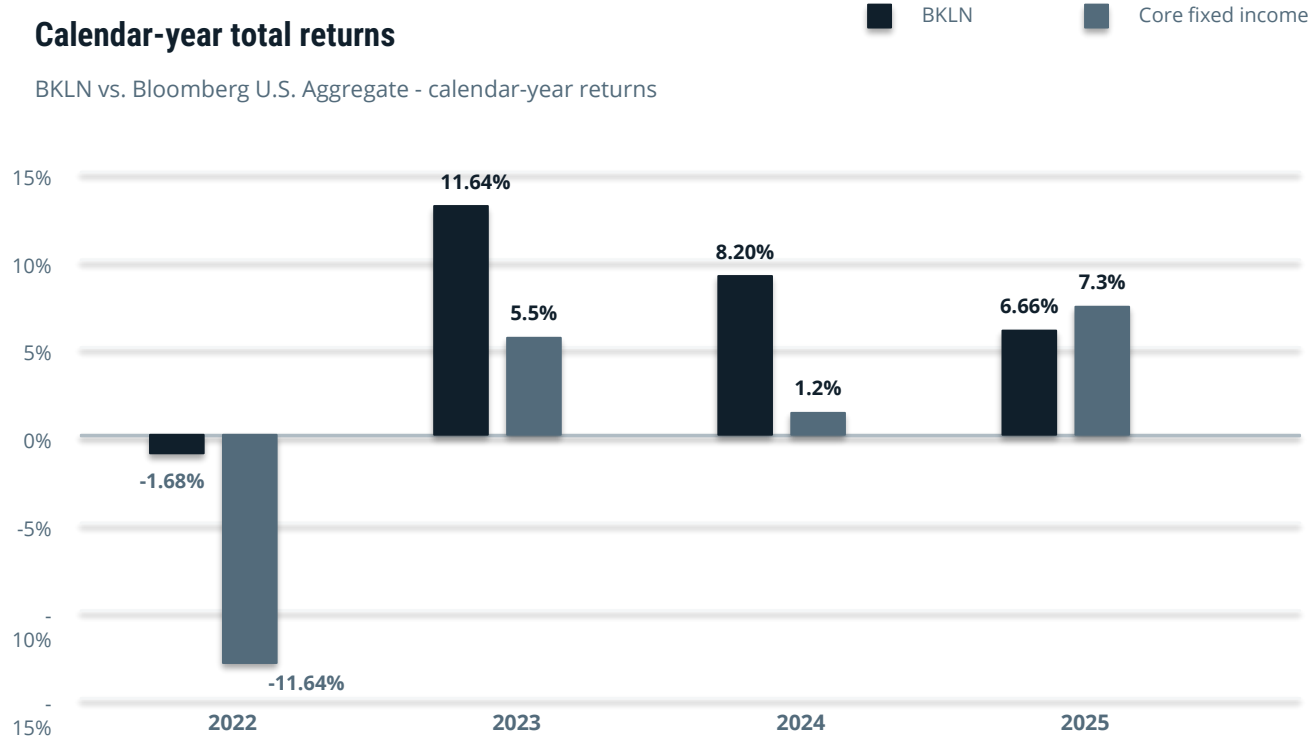
Funded from non-traditional fixed income



RETURN	**Targets mid-teen net returns**	Potentially higher return contribution than core fixed income.
LIQUIDITY	**Traded BSL market**	Better liquidity than private credit, with a real secondary market.
TRANSPARENCY	**Position-level pricing**	Observable market prices and security-level portfolio transparency.

Source: Illustrative Florida P&F pension system IPS; allocation shown for discussion purposes. This slide is illustrative and for educational discussion only. Not reflective of a Bracco strategy.

BKLN & Active Managers demonstrate the differentiated return profile



ACTIVE VS PASSIVE BSL MANAGERS

Roughly 70–75% of this market is owned by CLOs and other rules-based holders. They sell on a ratings test or a redemption, not a fundamental view. Security-level credit work can capture the value they leave behind.

SELECTIVITY	Security-level underwriting rather than index exposure.
LIQUIDITY	Traded BKLN and observable pricing.
TRANSPARENCY	Position-level portfolio visibility.

Sources: Invesco/BKLN and Bloomberg U.S. Aggregate total returns as of 9/9/2026. BKLN tracks the Morningstar LSTA US Leveraged Loan 100 Index and is used here as a liquid BSL market proxy. Calendar-year figures shown for 2022–2025. Past performance is not indicative of future results.

Three things to take away…

SENIOR

Top of the queue, shallow drawdowns, contractual recovery

FLOATING

Income without a rate call. Credit is the real exposure

INEFFICIENT

Owned by rules and flows, which is where selection can get paid

Most plans already own this asset class somewhere, passively, inside a manager they never selected for it.

The question is whether owning it deliberately would serve a plan better.

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Questions

Bracco Asset Management

Please feel free to reach out **any time** with questions, thoughts, or simply to discuss the markets…..

Michael Goldstein
Co-Founder and Managing Partner

Michael is a Co-Founder and Managing Partner of Bracco Asset Management LP. Previously, he was a Managing Director and Portfolio Manager of MSD Partners, L.P.'s Alpine Credit Opportunity Fund. Prior to joining MSD Partners, he was a Managing Director and Co-Head of High Yield and Bank Loans, and member of the Cross-Sector Strategy team at Goldman Sachs Asset Management ("GSAM"). He joined GSAM in 2010 with responsibility for leading GSAM's team of high yield and leveraged loan professionals and directing leverage finance solutions for institutional clients worldwide. Prior to joining Goldman Sachs, Michael was a Partner at Lord Abbett with responsibility for directing high yield investment strategies. He joined Lord Abbett in 1997 after spending five years at BEA Associates as a Vice President, high yield bond trader and securities analyst. Mr. Goldstein earned an M.B.A. from New York University and a B.A. in Economics and Political Science from the State University of New York at Binghamton and is a CFA charterholder.

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Mark is the Head of Business Development at Bracco Asset Management LP. He previously led U.S. Business Development at Waratah Capital, a Canada-based hedge fund, where he held similar responsibilities. Prior to Waratah, Mark was a Managing Director of Institutional Sales at EnTrust Global and a senior member of the team from the firm's inception. Earlier in his career, he worked on the Emerging Markets Fixed Income Trading Desk at Bear Stearns and was a participant in the firm's Management Training Program. Mark holds a B.A. from Loyola University.

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