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Ducera Quarterly Update

1st Quarter 2024
April 2024

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I. Macro Trends

Macro Trends: Executive Summary

- **Equity and Credit Markets (Pages 6-15):**
  - In 1Q24 equity markets continued to rise on rate cut expectations and Fed commentary supporting a "soft landing", while credit markets reacted to inflation and other macro prints in the quarter
    - For equity indexes, the S&P 500 was up ~10.2%, NASDAQ up ~9.1%, and Russell 2000 up ~4.8% - the S&P 500 reached an all time high on February 9, 2024, driven by large cap growth and more broad based participation in the equity markets rally with mid/small cap participation
    - Credit markets saw yields expand slightly with treasuries, but still show positive returns for the quarter – leveraged loans returned ~2.5% (CS Leveraged Loan Total Return Index) and high yield prices were up ~1.5% (Bloomberg US HY Price Index)
  - In the treasury markets, the 10 year treasury yield rose ~32bps during 1Q24 to 4.20%, reacting to inflation prints in 1Q24 and related data that potentially indicates the Fed to hold rates flat or not cut rates as much as previously anticipated in the near-term
  - Near-term economic forecasts continue to be revised upwards, consensus estimate for a recession in the next 12 months fell to 35% in 1Q24 (from 50% in 4Q24) – this is the lowest consensus recession expectation since 2Q22
- **M&A and Investment Activity (Pages 16-19):**
  - M&A activity rebounded in 1Q24 to $463bn, the fourth consecutive quarterly increase in deal activity – sponsor and strategics both contributed to the rise, but notably sponsor activity rose substantially (strategic activity up ~13% qoq and sponsor activity up ~33% qoq)
  - IPO markets continued to remain muted despite equity market gains and private market activity improving (VC investment activity up ~20% qoq)
- **Fund Flows and New Issue Markets (Pages 20-22):**
  - In 1Q24, leveraged loan and HY fund flows saw inflows (LL $2bn inflow and HY $9bn inflow) – HY inflows consistent with activity and sentiment of capital markets around a "soft landing" and lower rate expectations
  - In 1Q24, CLO issuance of ~$49bn was a material ~53% qoq improvement and shows a revived demand for credit markets
  - Leveraged loan and high yield new issuances both rose materially in the quarter >100% qoq improvement in new issuance volume – leveraged loan issuance rose qoq to ~$168bn in 1Q24 vs. ~$74bn in 4Q23 and high yield issuances rose qoq at ~$85bn in 1Q24 vs. ~$41bn in 4Q23
- **Distressed Opportunity Indicators (Pages 23-25):**
  - On rating agency trends, Moody's recorded more upgrades than downgrades for the first time in 2 years (although S&P downgrades outpaced upgrades for the sixth straight quarter), notable downgrades in the real estate and telecom sector as well as idiosyncratic situations
  - Ducera's distressed debt company tracker[(1)] identified the following sectors with most debt trading in stressed / distressed levels: telecom (~$49bn of distressed debt), software / consulting (~$20bn of distressed debt), and biopharma (~$16bn of distressed debt)

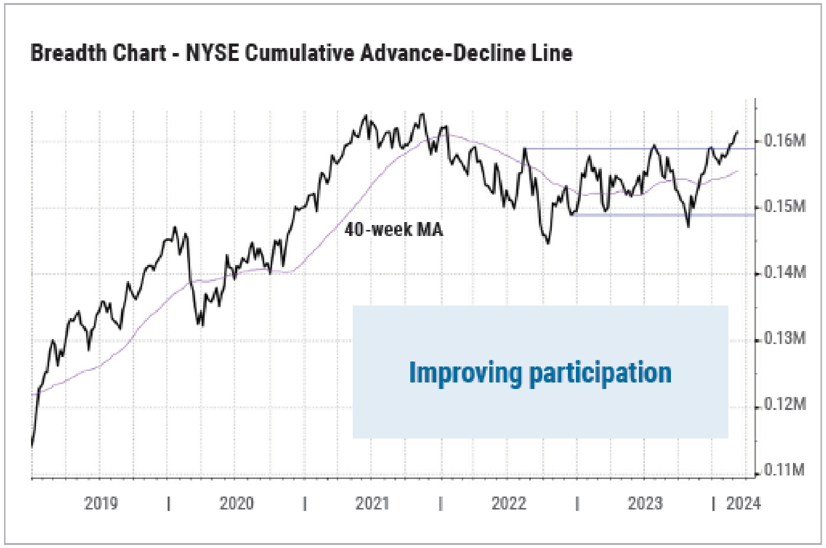
(1) Ducera's distressed debt company tracker tracks all identified bonds & loans with trading prices < 85c, yielding > 15%, and with ≥ $100mm outstanding

i. Macro Trends: Equity and Credit Markets

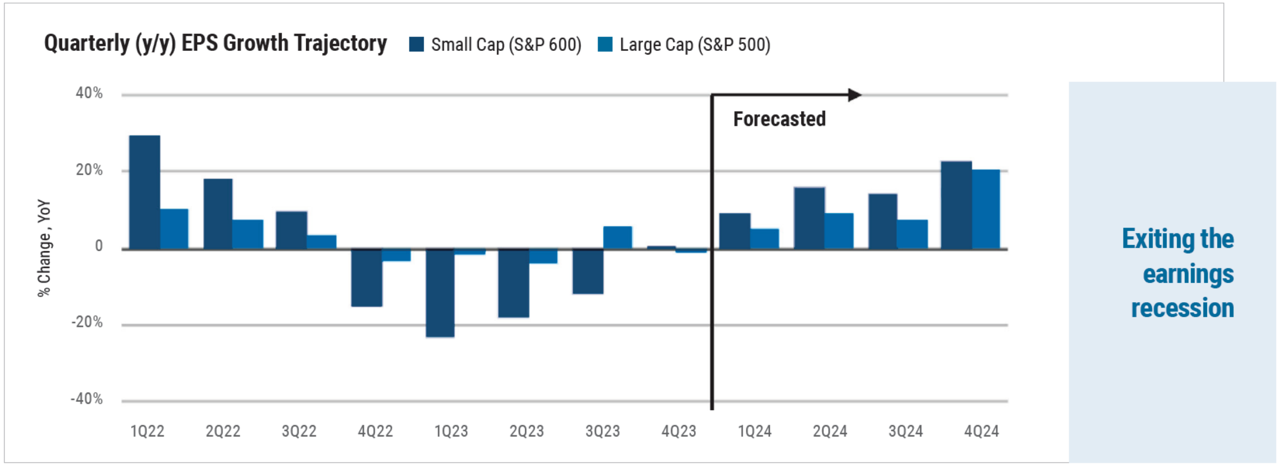
Macro Trends: Cary Street Partners Commentary

Equity markets have advanced along a broad front so far in 2024. The stock market is in a decisive long-term uptrend characterized by an increasing risk appetite. No market is linear, and we fully expect consolidations and pullbacks within the context of any uptrend, but the degree of momentum found in the current uptrend would support a viewpoint of relatively minor or normal pullback activity as opposed to something more dramatic. The most significant vulnerability faced by the equity market currently is the degree of out-performance of momentum factor stocks. The MSCI Momentum Index has out-performed the S&P by 11% this quarter, the widest margin of outperformance since 2008. Significant holdings in this index are Nvidia, Meta, Broadcom, Lilly and Amazon. Any short term weakness likely hits this group hard.

To date, in 2024, the S&P 500 Index has gained 10.2%. The NASDAQ 100 Index is up 9.1%. The Russell Mid Cap Index is higher by 8.20%, and the Russell 2000 benchmark for small caps is higher by 4.8%. A key feature of a sustainable equity uptrend is breadth or wide participation.



The number of NYSE stocks hitting a 52-week high reached 300 on March 21st, this also occurred in December. Spikes like these suggest upside leadership is broad-based since many stocks are driving the new highs in major indices, a healthy construct. Getting multiple spikes in new 52-week highs above 300 after not having one for an extended period (all of 2022 and most of 2023) is an additional indication of any early-stage bull market.



 Sources: Bofa Equity & Quant Strategy, Jefferies, FactSet

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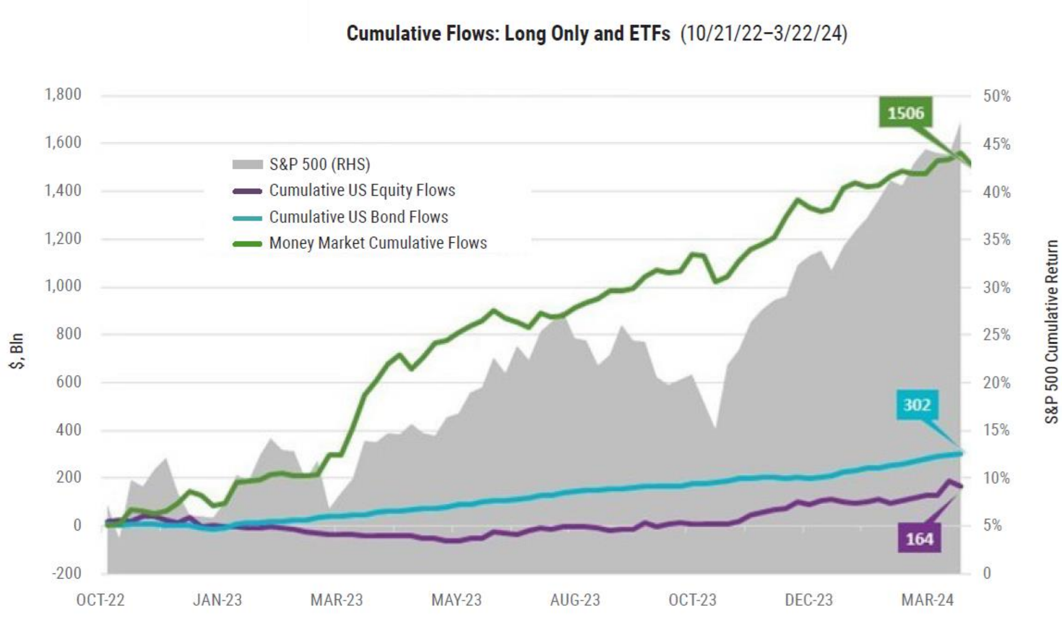
Macro Trends: Cary Street Partners Commentary (Continued)

The move higher in equity markets has not come with any assist from falling yields but has benefited from declining interest rate volatility. The benchmark 10-year Treasury yield has increased by 32 basis points this quarter. For context, this comes on the heels of a substantial decline in yields late in 2023. The 10-year put in a significant long-term top on yields on October 19th at 5%, closing 2023 at 3.88%, and currently at 4.19%. With that long-term high firmly established, odds favor any move higher in yields as lower highs. Accompanying the 2024 yield increase has been puny bond performance. The Bloomberg US Aggregate Bond index is down 0.77% in 2024.

The equity markets have moved higher primarily on the back of earnings and increasing risk appetite among investors. Earnings are coming out of the trough and investors are under-allocated to stocks. This is a potent backdrop for equity markets as is. A decrease in Federal Reserve short-term rates later this year would be nothing but rocket fuel for this dynamic. Lower rates feed into equity valuations as a positive, especially small caps. The Fed removed its tightening bias as of late last year. Wobbly inflation data in Q1 has led them to adopt a wait-and-see approach to lowering rates. Our viewpoint is that first principles favoring dis-inflation remain in place, notably negative money supply growth and a lot of dis-inflationary shelter data in the pipeline. Expectations of the quantity and timing around rate cuts have come in quite a bit, decreasing market vulnerability on this score.

Those still looking for weak economic growth or a recession to trigger rate cuts are increasingly walking the plank. GDP growth remains solid, propelled by productivity gains. Productivity, which is admittedly difficult to predict, has soared over the last year while inflation has declined. Three major factors have driven productivity: 1. Labor markets have matured with far less churn. Churn within labor markets is very disruptive and lowers productivity. 2. Structure investment has skyrocketed, incentivized by three large infrastructure bills passed in 2022: The CHIPS Act, the Infrastructure Bill, and the poorly named IRA (which is really a clean energy infrastructure bill). There is a lot more to come from this source. 3. Supply chains have normalized. On another positive note, we have yet to quantify the productivity gains from generative AI. This is likely to be the biggest game changer over the next decade, a new industrial revolution estimated to take productivity up by 20 to 30 percent.

Fuel for Growing Risk Appetite



 Sources: FactSet

Macro Trends: Cary Street Partners Commentary (Continued)

As rates come down, risk appetite will grow. This increasing risk appetite is already apparent. Imagine what happens when all that cash parked in the money market suddenly earns less. Said another way, this is a return to FOMO, fear of missing out. Outsized beneficiaries should be small and mid-caps and, quite possibly, international equities. These portions of the equity market are priced cheaper than domestic large caps, and money will naturally be looking for added exposure beyond high-priced domestic large caps.

We remain constructive on equities—especially smaller companies, and more recently international companies. After a massive late 2023 rally, bonds have stalled as they await additional dis-inflation data. Our base case is constructive on bonds as well. Locking in duration within bonds makes sense at this point in the rate cycle, and investors have been given room to do so. Mortgage-backed securities are also attractive within the bond complex. Diversifying strategies that remain attractive are derivatives-based hedged equity strategies and direct lending private credit, the latter becoming much more attractive over the last 24 months with an increase in base rates. As far as hedging strategies go, over the last three years, CSP Global Hedged Equity has captured 85% of the global equity market upside and outperformed bonds by 1084 basis points annualized—demonstrable evidence of diversification benefits beyond long-only stocks and bonds

More Attractive Valuations at Smaller Company Sizes

Valuations Chart

Date	S&P Small Cap 600 Value	S&P Small Cap 600	MSCI EAFE Large Cap Value	S&P Mid Cap 400 Value	S&P Small 600 Growth	S&P Mid Cap 400	S&P Mid Cap 400 Growth	MSCI EAFE	MSCI EM (Emerging Markets)	S&P 500 Value	MSCI EAFE Large Cap Growth	S&P 500	S&P 500 Growth
Fwd P/E 12/31/2023	12.77	14.12	9.53	12.41	15.76	14.43	17.25	13.25	11.74	15.30	19.98	19.51	25.71
20 Yr Average Fwd P/E	15.61	16.41	11.04	14.20	17.49	15.75	17.71	13.54	11.38	13.73	16.99	15.57	17.87
Ratio Premium Discount	**82%**	**86%**	**86%**	**87%**	**90%**	**92%**	**97%**	**98%**	**103%**	**111%**	**118%**	**125%**	**144%**

- Tom Herrick

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The above is prepared by Tom Herrick, CIO of Cary Street Partners, a leading RIA with $7+ billion AUM. Ducera invested in, and maintains a strategic partnership with, Cary Street Partners since 2019

 Sources: Morningstar, John Hancock Investment Management

Macro Trends: Summary Capital Markets Performance

Summary Capital Markets Performance

Index / Metric	Level at 3/29/24	Returns QTD	2023 Annual	2022 Annual	2021 Annual	2020 Annual
Equity Markets						
S&P 500	5,254	10.2%	24.2%	(19.4%)	26.9%	16.3%
NASDAQ	16,379	9.1%	43.4%	(33.1%)	21.4%	43.6%
Russell 2000	2,125	4.8%	15.1%	(21.6%)	13.7%	18.4%
FTSE 100	7,953	2.8%	3.8%	0.9%	14.3%	(14.3%)
Other						
WTI ($/bbl)	$83	16.1%	(10.7%)	6.7%	55.0%	(20.5%)
Bitcoin	$70,713	68.6%	152.9%	(64.2%)	59.8%	305.1%
Ethereum	$3,563	55.9%	90.8%	(67.5%)	399.1%	475.5%
Credit Markets						
Bloomberg US HY Price Index	2,517	1.5%	13.4%	(11.2%)	5.3%	7.1%
CS Leveraged Loan Total Return	574	2.5%	13.0%	(1.1%)	5.4%	2.8%
Bloomberg US HY YTM	7.8%	3 bps	-119 bps	NM	NM	NM
CS Leveraged Loan YTM	9.3%	21 bps	-115 bps	NM	NM	NM
Treasuries						
2 Year Treasury Yield	4.62%	37 bps	-18 bps	NM	NM	NM
10 Year Treasury Yield	4.20%	32 bps	0 bps	NM	NM	NM
30 Year Treasury Yield	4.34%	31 bps	7 bps	NM	NM	NM

On the back of investor sentiment of a soft landing and potential near-to-medium term rate cuts, equity markets continued to rise in 1Q24, with the S&P 500 and NASDAQ up 10.2% and 9.1% QoQ

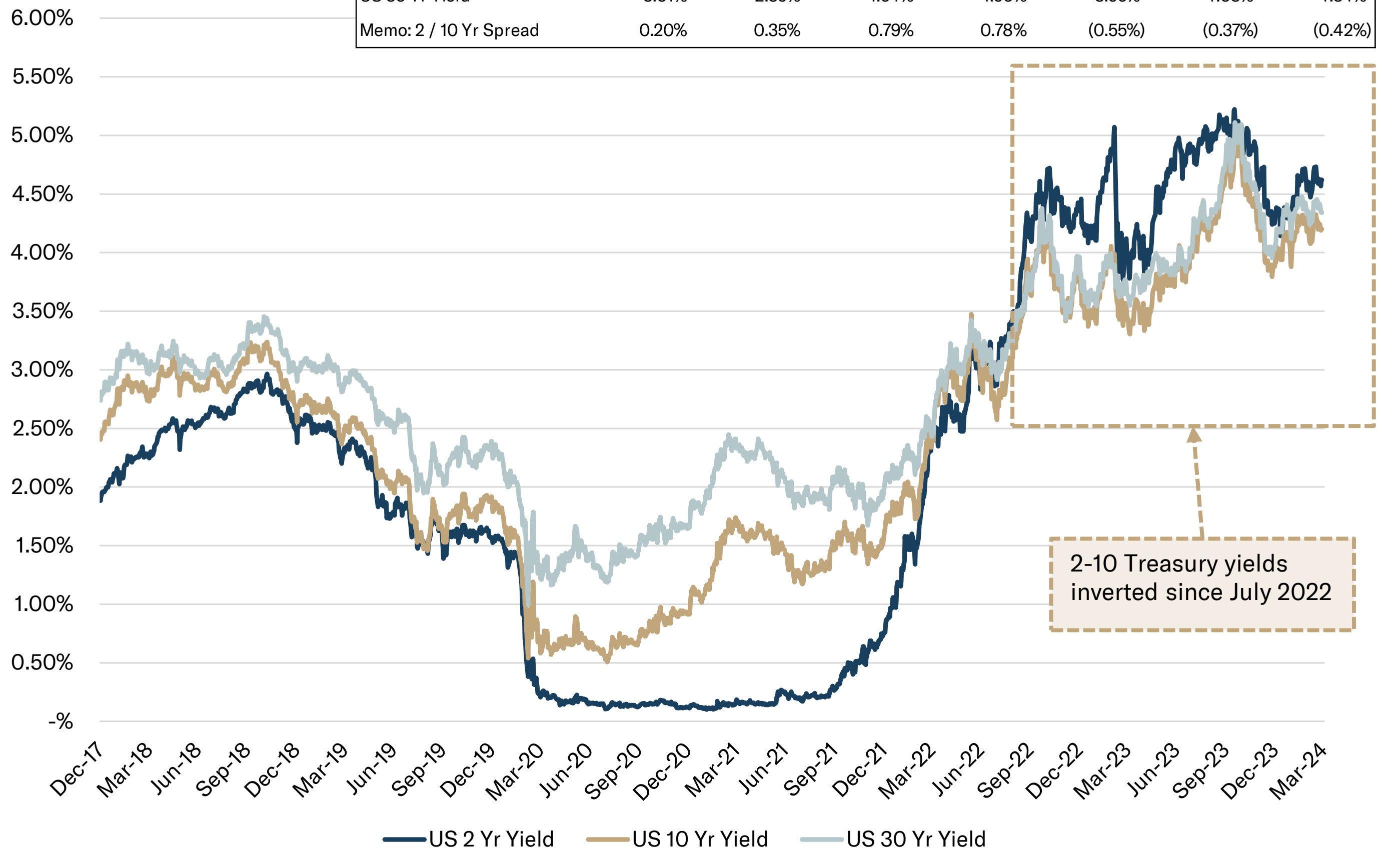
Despite investor sentiment of potential rate cuts, recent macro inflation and labor market prints have driven yields to marginally rise across the treasury curve (as well as HY/LL) in 1Q24

Sources: Bloomberg

Macro Trends: Treasury Market Performance

US 2 / 10 / 30 Treasury Yield Over Time

	YTM as of:						
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	3/29/24
US 2 Yr Yield	2.49%	1.57%	0.12%	0.73%	4.43%	4.25%	4.62%
US 10 Yr Yield	2.68%	1.92%	0.91%	1.51%	3.87%	3.88%	4.20%
US 30 Yr Yield	3.01%	2.39%	1.64%	1.90%	3.96%	4.03%	4.34%
Memo: 2 / 10 Yr Spread	0.20%	0.35%	0.79%	0.78%	(0.55%)	(0.37%)	(0.42%)



The 10-year treasury yield ended 1Q24 at 4.20%, higher than any year end level from 2018 to 2023

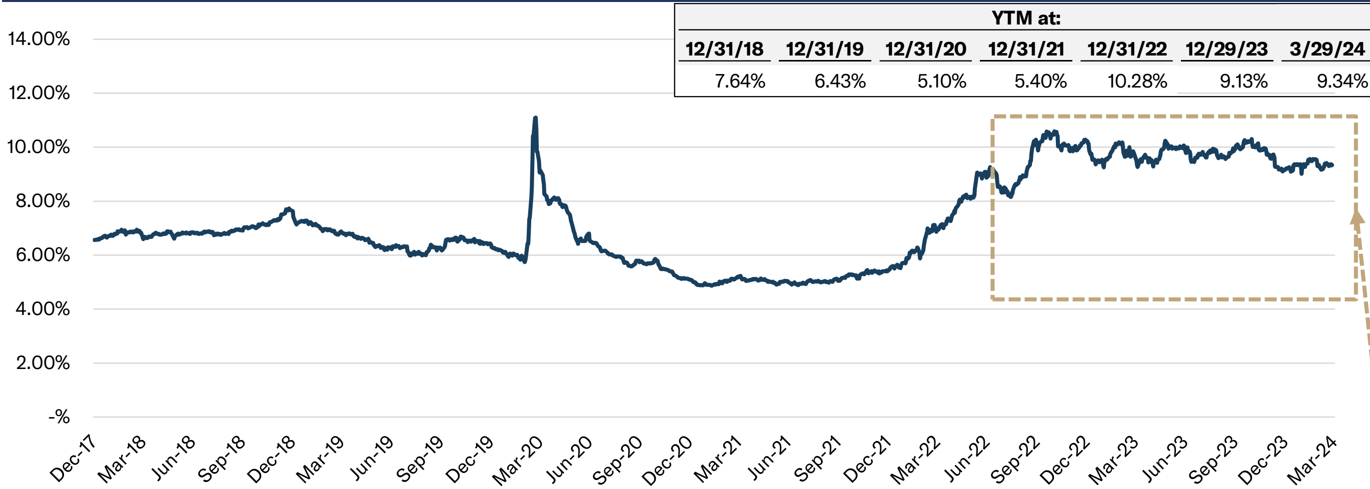
2-10 Treasury yield inversion, a leading recession indicator, fell ~5bps qoq in 1Q24, its lowest quarterly close since inverting in July 2022

The current inversion has become the longest on record on the back of declining recession expectations, beating out the previous record of 624 days set in 1978

 Sources: Bloomberg

Macro Trends: Credit Market Yields

Credit Suisse Leveraged Loan Index YTM Over Time



YTM at:						
12/31/18	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**	**12/29/23**	**3/29/24**
7.64%	6.43%	5.10%	5.40%	10.28%	9.13%	9.34%

Bloomberg US High Yield Index YTM Over Time

YTM at:						
12/31/18	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**	**12/29/23**	**3/29/24**
8.00%	5.98%	4.97%	4.86%	8.99%	7.80%	7.83%

In 1Q24 HY YTM rose ~21bps qoq and leveraged loan YTM rose ~3ps qoq, both consistent with treasury yield trends

HY/LL YTM both ended 1Q24 slightly above their 2023 year-end levels and about ~100 bps lower than their 2022 year-end levels

Post-Covid trend of sustained higher interest rates driven by persistently high inflation, although the recent reduction in inflation and Fed commentary on rate cuts are driving recent fall in YTM

Sources: Bloomberg

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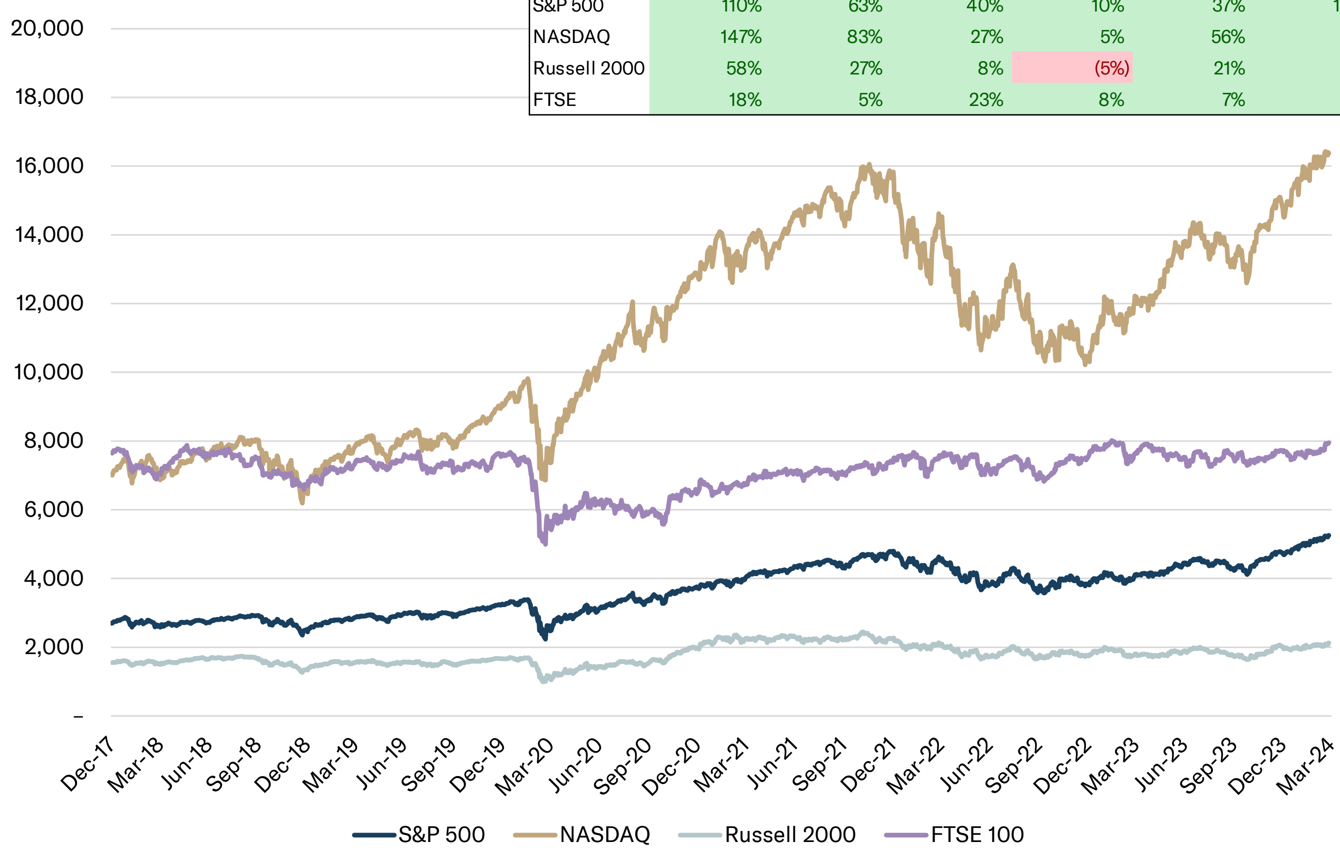
Macro Trends: Equity Markets Performance

Equity Markets Index Values Over Time

	Return to Date (as of 3/29/24) from:					
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
S&P 500	110%	63%	40%	10%	37%	10%
NASDAQ	147%	83%	27%	5%	56%	9%
Russell 2000	58%	27%	8%	(5%)	21%	5%
FTSE	18%	5%	23%	8%	7%	3%



1Q24 saw continued strong performance across the S&P and NASDAQ

Equity markets in 1Q24 saw continued broader market participation with the Russell 200 up ~5% in the quarter, although large cap (particularly large cap growth) continues to lead the market

A dovish Federal Reserve meeting in March, in which the central bank reiterated its view of 3 rate cuts this year, is also supporting the rally

 Sources: Bloomberg

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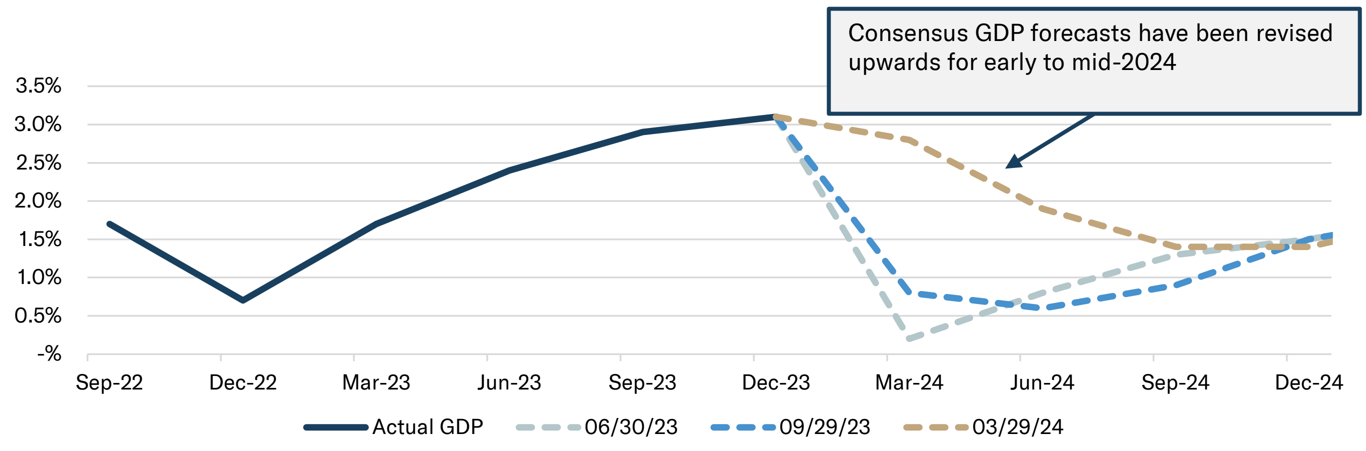
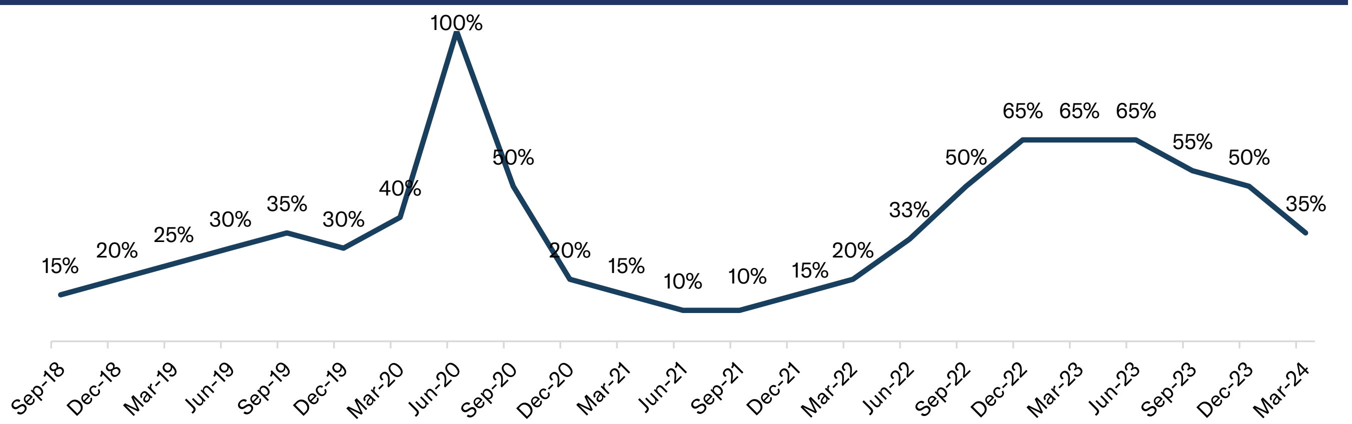
Macro Trends: GDP and Economic Expectations

US Real GDP (YoY Change %) – Historical and Consensus Estimate Curves



Consensus Probability of a Recession in Next 12 Months



Consensus estimates for recession probability continued to decline in 1Q24 as economic data comes in stronger and forward GDP consensus estimates are revised upwards

Consensus estimates for a recession ended 1Q24 <50% for the first time since the 2-10 treasury yield inversion in July 2022

 Sources: Bloomberg

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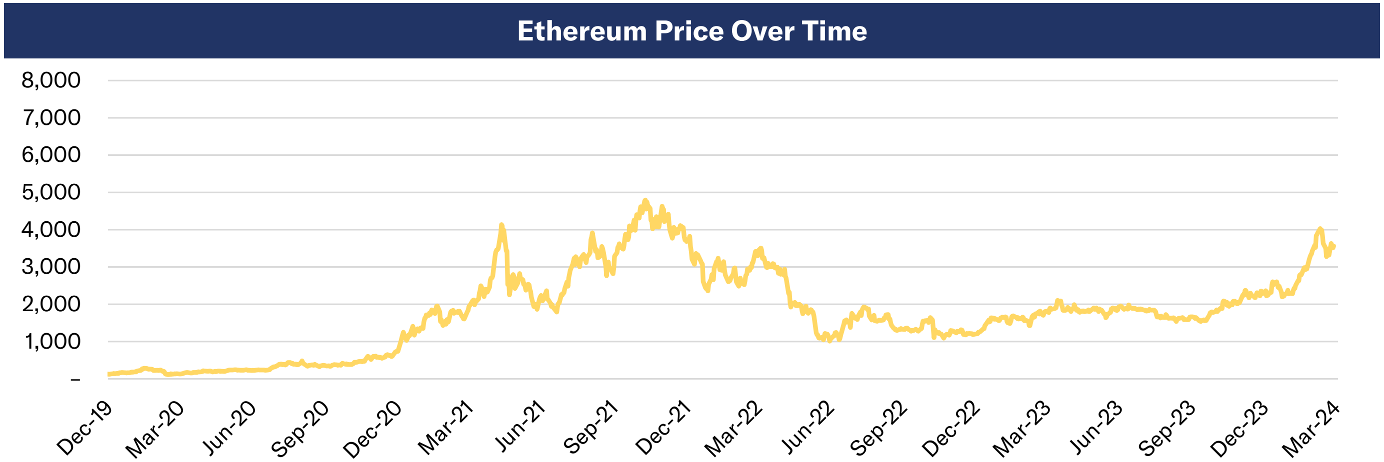
Macro Trends: Cryptocurrency Markets Performance

	Return to Date (as of 3/29/24) from:				
	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
Bitcoin	888%	144%	53%	327%	69%
Ethereum	2674%	382%	(3%)	197%	56%

Cryptocurrency prices continued their 2023 rebound, rising significantly in 1Q24



 Sources: Bloomberg

ii. Macro Trends: M&A and Investment Activity

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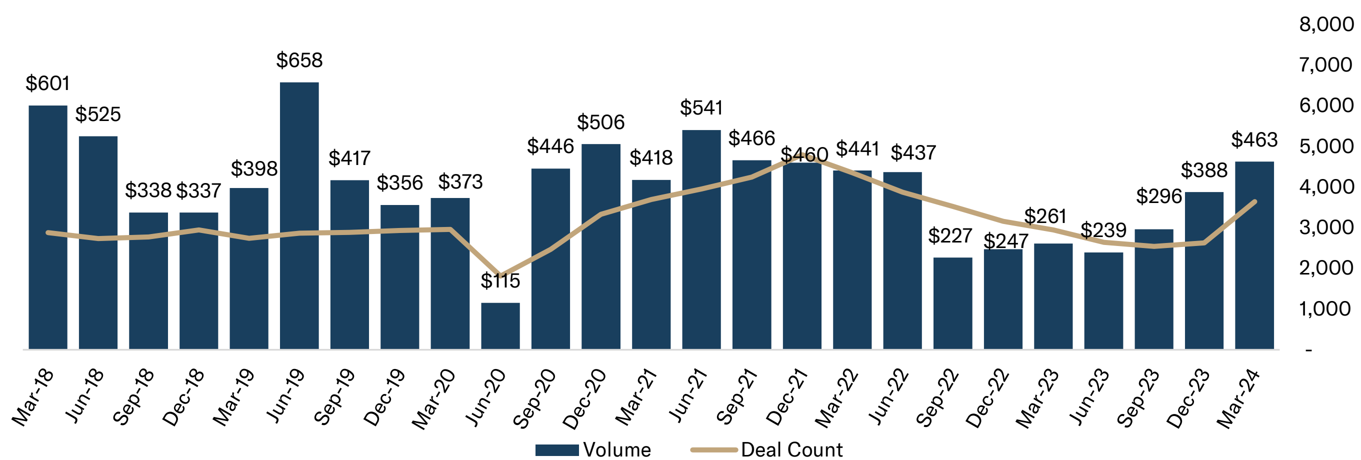
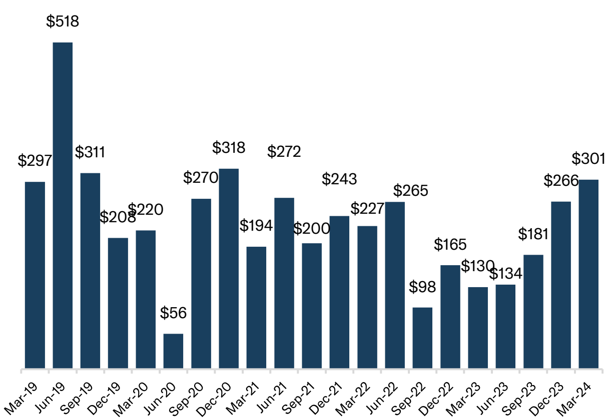
Macro Trends: M&A Market Trends

($ billions)

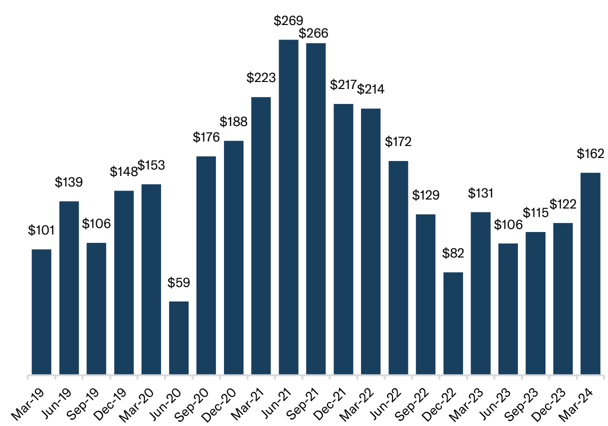
Quarterly US Total M&A Deal Volume



Quarterly US M&A Deal Value: Strategic



Quarterly US M&A Deal Value: Sponsor



1Q24 saw M&A deal activity rebound materially both sequentially (up ~19%) and yoy (up ~77%), as historically high debt borrowing costs are offset by opening of credit markets and improving economic outlook

Strategic deal activity continued to increase (up ~13% qoq), and notably Sponsor backed M&A activity rose ~33% qoq

 Sources: Bloomberg

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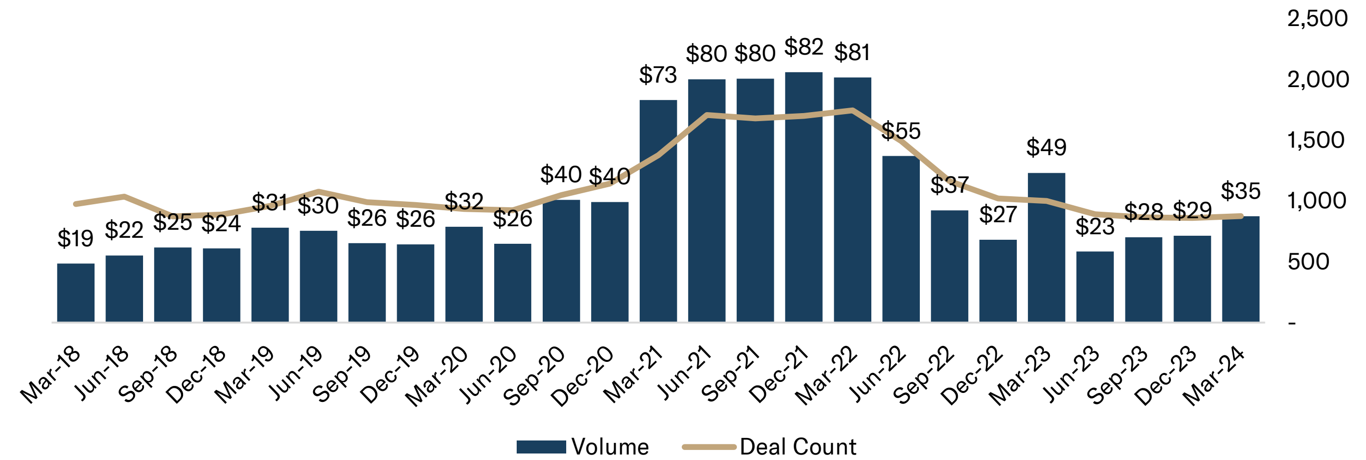
Macro Trends: Venture Capital Market Trends

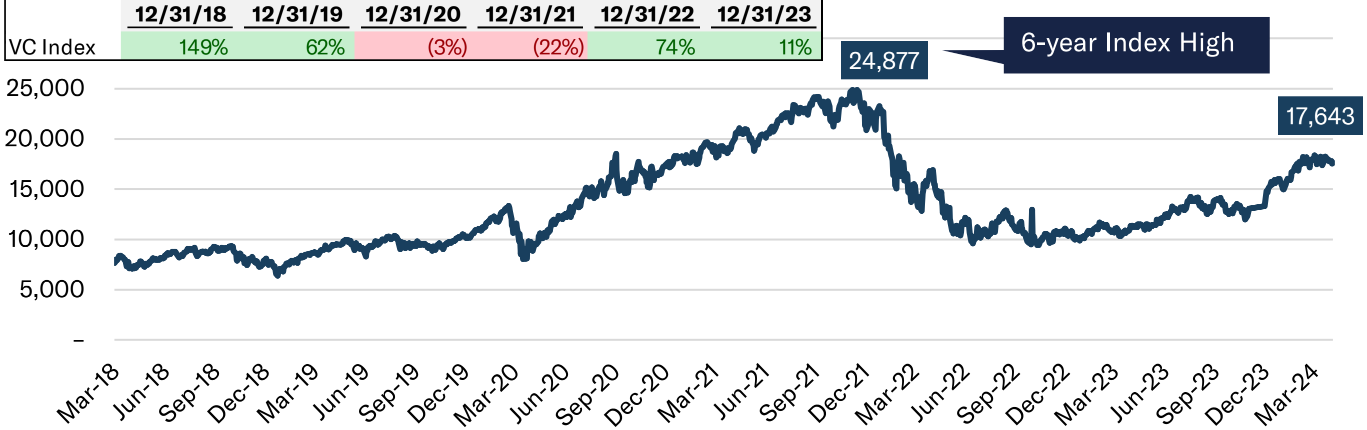
($ billions)

Quarterly US Total Venture Capital Deal Value and Deal Count



Refinitiv US Venture Capital Index

	Return to Date (as of 4/3/24) from:					
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
VC Index	149%	62%	(3%)	(22%)	74%	11%



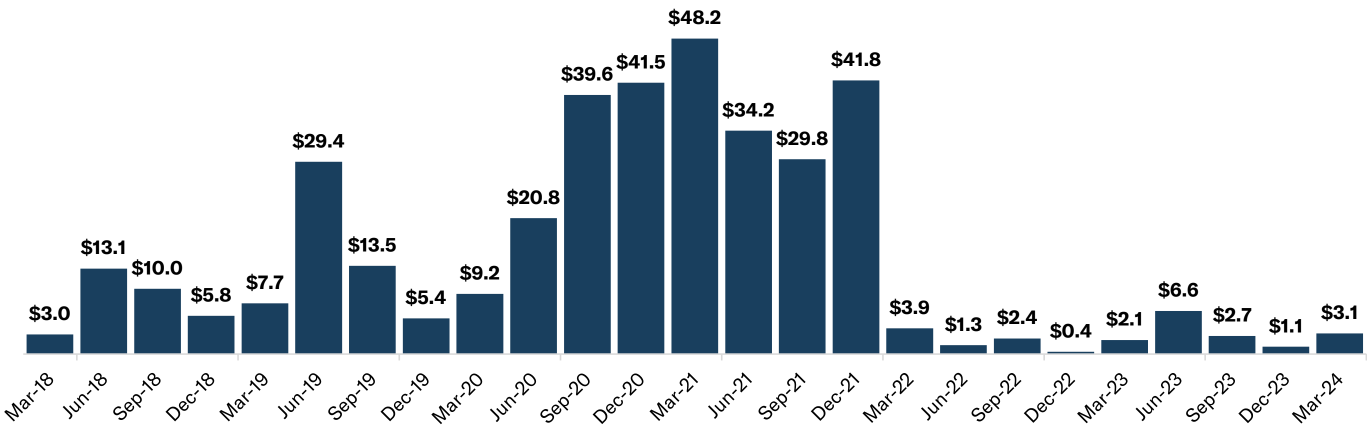
VC investment activity remained improved ~20% qoq, slowly recovering from trough 2Q23 levels after record years in 2020-1H22

 Sources: Bloomberg, Refinitiv

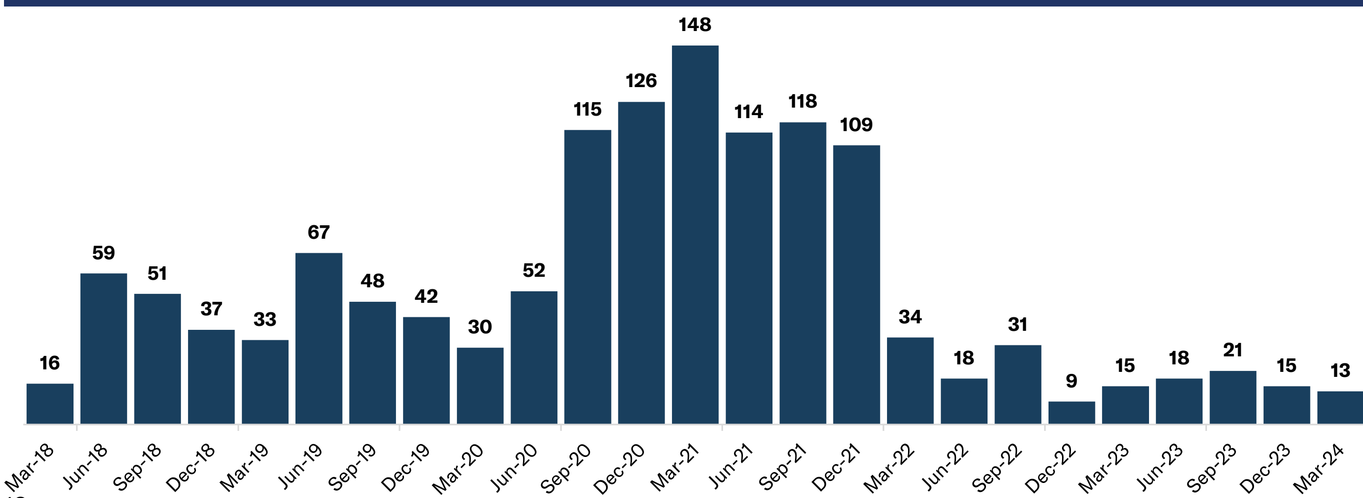
Macro Trends: IPO Volume

($ billions)

Quarterly US IPO Volume ($)



Quarterly US IPO Volume (#)



Despite equity market rally, IPO issuance remains de minimis relative to historical levels and record years in 2020-2021

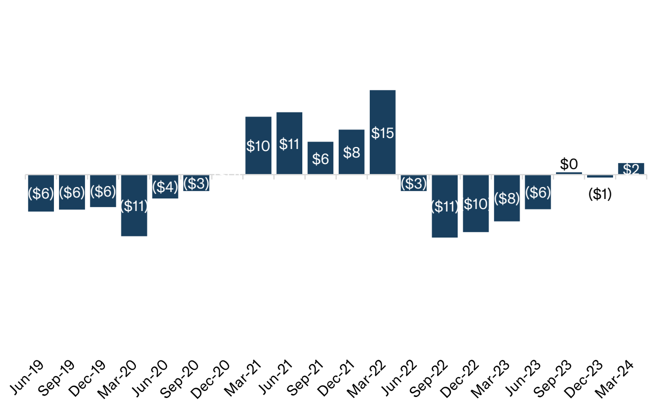
Sources: Bloomberg
Note: Excludes SPAC and other Financial Company IPOs

iii. Macro Trends: Fund Flows and New Issue Markets

Macro Trends: Capital Markets Fund Flows

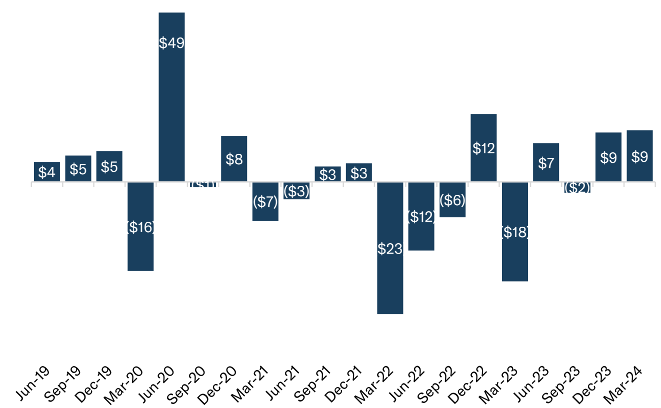
Quarterly US Leveraged Loan Fund Flows

($ in billions)



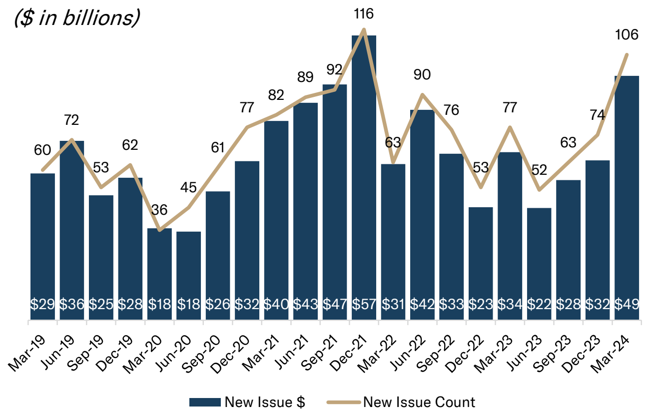
Quarterly US High Yield Fund Flows

($ in billions)



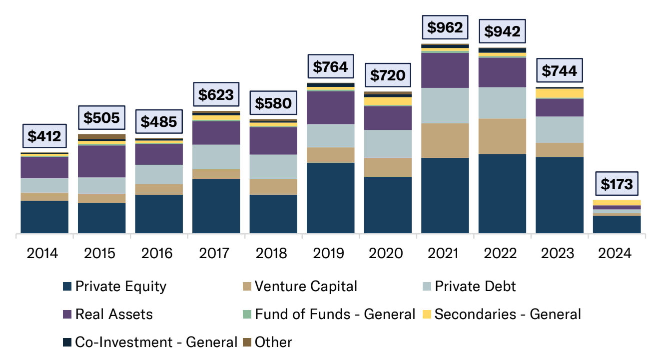
Quarterly US CLO Issuance

($ in billions)



Annual US Private Capital Raised

($ in billions)



Leveraged loan fund flows were slightly positive in 1Q24

High yield fund flows saw $9bn of inflows in 1Q24, likely driven by rate expectations as investors look to lock in high fixed rate yields

CLO issuance rose materially (up ~53% qoq) in 1Q24, approaching the 5-year high set in December 2021

 Sources: Bloomberg, LCD Comps, Pitchbook

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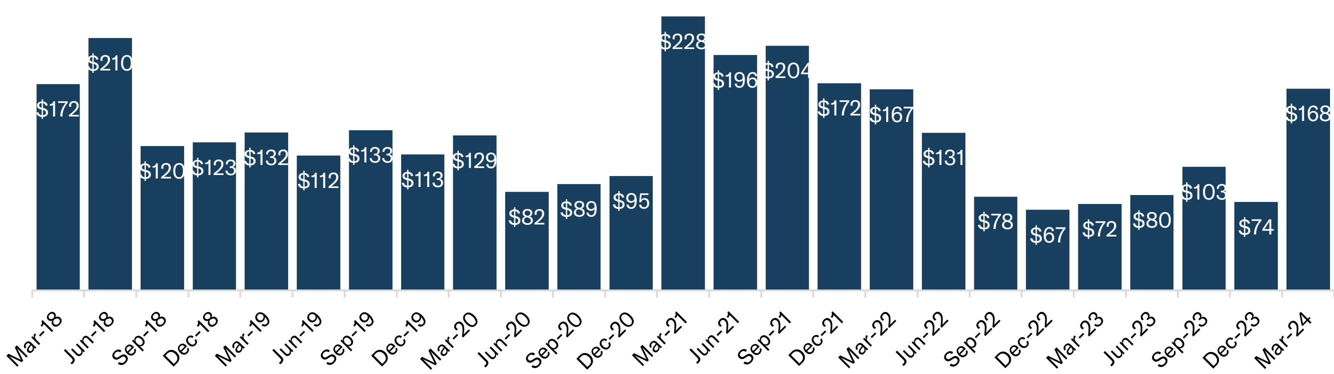
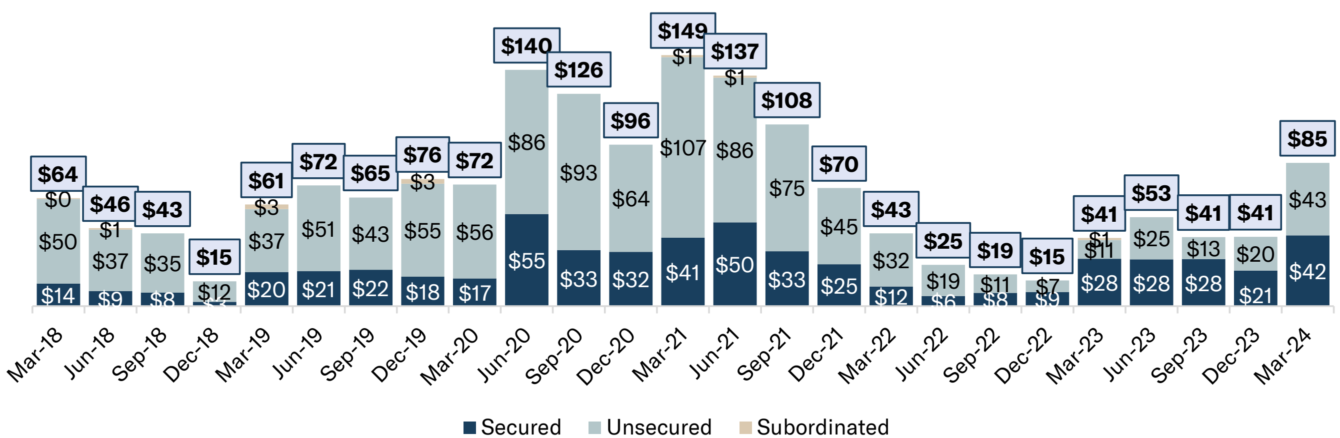
Macro Trends: Credit Market New Issuances

($ in billions)

Quarterly US Leveraged Loan New Issuances



Quarterly US High Yield New Issuances



1Q24 new issuance markets grew significantly – both LL and HY issuance more than doubled from their previous quarter levels

 Sources: LCD Comps

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iv. Macro Trends: Distressed Opportunity Indicators

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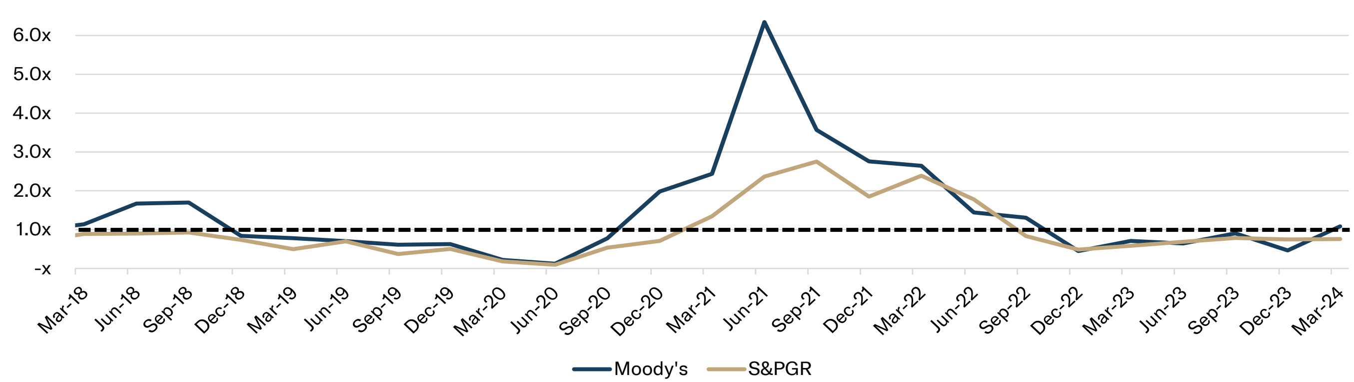
Macro Trends: Credit Rating Agency Activity

Summary Credit Rating Agency Activity

	Moody's			S&P Global Ratings		
	Upgrade Count	Downgrade Count	Upgrade / Downgrade Ratio	Upgrade Count	Downgrade Count	Upgrade / Downgrade Ratio
Quarter Ending						
Mar 2024	113	104	1.1x	107	141	0.8x
Dec 2023	67	144	0.5x	94	126	0.7x
Sep 2023	87	96	0.9x	117	149	0.8x
Jun 2023	82	127	0.6x	110	160	0.7x
Mar 2023	85	120	0.7x	100	170	0.6x
Dec 2022	62	138	0.4x	77	157	0.5x
Sep 2022	114	87	1.3x	97	116	0.8x
Year Ending						
Dec 2023	321	487	0.7x	421	605	0.7x
Dec 2022	427	355	1.2x	458	414	1.1x
Dec 2021	650	188	3.5x	642	328	2.0x
Dec 2020	313	865	0.4x	332	1,311	0.3x

Current Quarter Notable Downgrades

Quarterly US Upgrades to Downgrades Ratio



In 1Q24 Moody's announced more upgrades than downgrades for the first time in 8 quarters (although S&P continued to announce more downgrades than upgrades)

Downgrades driven by the real estate sector, idiosyncratic downgrades (i.e. JetBlue, Enviva, etc.), and telecom companies facing maturity walls and increased debt service pressure with prolonged higher interest rates

 Sources: S&P, Moody's**,** Bloomberg (includes U.S., long term issuer ratings changes)

Macro Trends: Distressed Sector Trading Summary

- The below details a sector summary of Ducera's distressed debt company tracker – the table below reflects a summary by sector of all identified bonds & loans with trading prices < 85c, yielding > 15%, and with ≥ $100mm outstanding

($ in US millions)

	Debt Securities[1]							Net Change[2]			
			Trading Price (Weighted Avg.)								
Sector	**Amt. Out ($m)**	**Current YTM (%)**	**Current (3/28)**	**Prior Day (3/27)**	**Prior Wk. (3/21)**	**Prior Mo. (2/29)**	**Quarter End (12/31)**	**1 Day Δ**	**1 Wk. Δ**	**1 Mo. Δ**	**QTD Δ**
Telecommunications	$49,036	24.4	60.8	61.0	61.4	61.8	63.5	(0.2)	(0.5)	(1.0)	(2.7)
Software and Consulting	19,588	37.5	51.5	51.5	51.9	55.4	57.6	0.0	(0.4)	(3.9)	(6.1)
Biopharmaceuticals	16,252	25.0	60.7	60.6	61.4	61.3	62.6	0.1	(0.7)	(0.5)	(1.9)
Healthcare Services	14,577	49.1	59.9	59.8	60.3	60.1	63.1	0.1	(0.4)	(0.2)	(3.2)
Investment Services	10,015	30.8	64.8	64.0	63.6	76.3	75.9	0.8	1.2	(11.5)	(11.1)
Industrial Services	9,381	37.7	62.0	62.1	62.1	61.2	66.8	(0.1)	(0.1)	0.8	(4.8)
Media and Publishing Services	7,232	41.5	62.2	61.9	62.0	64.9	66.2	0.3	0.2	(2.8)	(4.0)
Business Services	6,825	45.5	61.3	61.2	61.3	61.0	62.4	0.1	(0.0)	0.3	(1.1)
Hospitality Services	6,446	37.9	64.3	64.3	66.0	65.1	65.4	0.0	(1.7)	(0.9)	(1.1)
Industrial Manufacturing	5,802	35.5	60.0	59.8	59.2	58.1	65.8	0.2	0.8	1.8	(5.8)
Food and Tobacco Production	5,766	35.9	63.4	63.2	63.2	62.5	63.5	0.2	0.2	0.9	(0.2)
Manufactured Products	5,109	406.8	62.7	62.5	60.8	66.3	66.2	0.2	1.9	(3.6)	(3.5)
Food and Staples Retail	3,893	67.4	53.8	54.1	54.1	55.3	52.5	(0.3)	(0.3)	(1.5)	1.3
Chemical, Plastic and Rubber Materials	3,537	42.2	64.8	65.1	65.2	65.7	70.1	(0.2)	(0.4)	(0.9)	(5.2)
Real Estate	3,512	31.0	63.1	63.3	63.2	63.1	57.5	(0.2)	(0.1)	(0.0)	5.6
Hardware	3,234	39.1	51.8	51.7	52.6	50.2	51.3	0.2	(0.8)	1.7	0.5
Utilities	2,815	49.0	58.8	58.7	58.7	59.4	59.5	0.1	0.0	(0.6)	(0.8)
Upstream Energy	2,492	46.4	48.1	48.5	53.1	54.7	49.5	(0.3)	(4.9)	(6.6)	(1.4)
Consumer Vehicles and Parts	2,404	26.2	54.9	54.9	48.2	48.4	55.5	0.0	6.7	6.6	(0.5)
Mining and Mineral Products	2,340	40.3	72.9	72.6	73.4	75.4	69.9	0.3	(0.5)	(2.5)	3.0
Process Industries	2,287	41.8	64.7	64.7	64.2	64.5	59.5	0.0	0.6	0.2	5.2
Consumer Retail	2,235	24.4	61.3	60.9	56.8	54.9	53.2	0.4	4.4	6.3	8.1
Healthcare Equipment	990	66.6	44.3	44.6	44.3	44.3	48.9	(0.3)	0.1	(0.0)	(4.5)
Consumer Goods	965	632.1	63.5	63.7	64.1	64.0	66.1	(0.2)	(0.7)	(0.6)	(2.6)
Miscellaneous Retail	935	26.6	71.1	70.3	70.8	68.6	70.3	0.8	0.3	2.5	0.8
Household Services	900	49.8	63.7	63.3	68.5	69.9	72.8	0.4	(4.8)	(6.2)	(9.0)
Household Products	595	16.2	81.0	81.2	81.2	79.8	77.4	(0.2)	(0.2)	1.2	3.6
Insurance	550	20.9	68.1	62.0	61.6	53.1	47.9	6.2	6.5	15.0	20.2
Consumer Non-Durables	550	89.6	26.7	25.5	25.4	26.6	28.5	1.2	1.3	0.1	(1.8)
Corporate or Other Unallocated Revenue	540	15.1	81.6	81.7	85.1	89.3	91.5	(0.1)	(3.5)	(7.7)	(9.9)
Specialty Finance and Services	502	77.9	53.6	54.0	53.2	59.8	62.7	(0.4)	0.4	(6.2)	(9.1)
Consumer Durables	452	20.8	73.3	73.3	72.9	73.3	74.7	–	0.3	0.0	(1.5)
Electronic Components and Manufacturing	240	16.2	84.1	84.1	84.1	83.2	84.0	–	–	0.9	0.1
Health Technology	165	144.0	25.0	25.3	25.3	22.9	40.0	(0.3)	(0.3)	2.1	(15.0)
Membership Organizations	100	15.5	83.9	83.9	89.7	85.8	93.4	–	(5.8)	(1.9)	(9.5)
Total	**$192,264**	**47.7**	**60.2**	**60.1**	**60.3**	**61.6**	**63.1**	**0.1**	**(0.1)**	**(1.4)**	**(2.9)**

Sources: S&P Global Market Intelligence, FactSet
(1) Based on securities identified from screen, as opposed to total capital structure
(2) Color shaded from lowest to highest

II. Ducera Updates

Ducera Updates: Select Recent Transactions

Advisor to Official Committee of Unsecured Creditors ("UCC") in Ch. 11 Bankruptcy Process

Restructuring

- Ducera advised the Official Committee of Unsecured Creditors ("UCC") in Core Scientific's $1.5 billion Ch. 11 bankruptcy process
- As part of this process, Ducera assisted the UCC in evaluating Core Scientific's Plan and RSA, helping to replace the initial DIP, which contained various onerous terms, and RSA, which only provided the UCC 3% stake in the reorganized equity to be shared with prepetition equity
- Upon replacing the RSA, Ducera further assisted in negotiating the valuation of the new plan, the terms of the new RSA, and the overall equitable treatment of the UCC
- Ultimately led to the UCC increasing its recovery consideration to a 10% stake in the reorganized equity alongside $7.1 million in contingent rights that depend on the performance of post-petition equity

Advisor to the Future Claimants Representative ("FCR") in Endo International ("Endo") ~$8.1bn Ch. 11 Bankruptcy Process

Restructuring

- Ducera advised the Future Claimants Representative ("FCR") in Endo International Inc's ("Endo") ~$8.1bn Ch. 11 bankruptcy process
- As part of this process, Ducera assisted the FCR in evaluating Endo's operational challenges, financial complexities, litigation exposure, and restructuring options, with a focus on achieving the FCR's objective in maximizing the value of settlement payments to claimants while ensuring Endo's ability to fund payments post-reorganization
- Ducera analyzed the stalking horse bid and its implications for the future claimants, particularly concerning the valuation of Endo's assets, including its significant litigation liabilities, the strategic importance of its operations in India, and the likeliness of repayments from the nearly $100mm Novavax arbitration
- Ducera's efforts contributed to negotiating several critical agreements that led to the establishment of a trust for future opioid claims funded by the Debtor over a period of up to 10 years, as part of a broader resolution that addressed various classes of claims against Endo
- Ultimately, Ducera helped facilitate an agreement where future claimants received equitable consideration under the reorganization plan, including cash settlements and structured payment terms designed to ensure adequate compensation over time

Ducera Updates: Select Recent Transactions (Cont.)

Advisor to the Missouri Public Service Commission in Evergy Securitization

MISSOURI PUBLIC SERVICE COMMISSION

Financings

- Ducera Advised the Missouri Public Service Commission ("MPSC") Finance Team on Evergy Missouri West's ("EMW")' issuance of $331.0 million Customer Rate Relief Bonds, which settled on February 23, 2024
- Ducera again provided Expert Witness Testimony on the importance of Finance Team involvement throughout the process as well as its approach to evaluating NPV's savings based on Commission Staff's assumptions and directives
  - Ducera remained present throughout the entire process, including structuring, marketing, and pricing
  - Part of this involved Ducera providing over 300 additional investor outreach suggestions to support demand, and advocating for the inclusion of more explicit language to be provided by the underwriter and issuer on the achievement of lowest cost, further supporting the Finance Team's objective

Advisor to the Missouri Public Service Commission ("MPSC") in Liberty Securitization

MISSOURI PUBLIC SERVICE COMMISSION

Financings

- Ducera Advised the Missouri Public Service Commission ("MPSC") Finance Team on The Empire District Electric Company's (dba "Liberty")' issuance of $305.5 million Customer Rate Relief Bonds, which settled on January 30, 2024
  - The transaction was unique in that it was the first single issuance to have a combined use case, with a portion of the proceeds used for Energy Transition costs associated with the retirement of Liberty's Asbury Coal plan, as well as a portion used for the recovery of Excess Fuel Charges due to Winter Storm Uri
- Ducera provided Expert Witness Testimony on the importance of Finance Team involvement throughout the process as well as its approach to evaluating NPV's savings based on Commission Staff's assumptions and directives
  - Despite delays posed by ongoing appeals, further exacerbated by a rising rate environment, Ducera's proactive involvement enabled the Finance Team to successfully achieve the statutory objective of achieving lowest cost

Ducera Growth Ventures and Corteva Strategic Collaboration

- On March 25, 2024, Ducera Growth Ventures ("Ducera Growth") announced a strategic collaboration with Corteva Catalyst, a new platform launched by Corteva (NYSE: CTVA) designed to identify innovative companies for potential investment
  - Ducera Growth Ventures is Ducera Partners' venture capital investment platform that focuses on identifying, analyzing, and managing innovation-based investments across a broad array of industries on behalf of strategic corporate clients
  - Corteva is a publicly traded, global pure-play agriculture company that engages in the provision of seed and crop protection solutions
- The partnership will focus on identifying and bringing to market agricultural innovations that advance Corteva's strategic priorities and drive value creation
- Ducera Growth will use its proprietary AI tool, Quannix®, to provide unique insights into early-stage companies with growth potential
- Sam Eathington, EVP, Corteva Chief Technology and Digital Officer said "Our newly formed Corteva Catalyst platform is designed to access and bring to market agricultural innovations that advance Corteva's strategic priorities and drive value creation. The additional insights we will gain through our collaboration with Ducera Growth will bolster our ability to identify the next generation of technologies that can help to address the challenges farmers face globally."
- Michael Kramer, Founding Partner and Chief Executive Officer of Ducera Partners, said, "This collaboration reflects Ducera Growth's focus on providing our partners with a significant competitive advantage in driving true innovation forward. We are excited to put our experience to work on behalf of Corteva Catalyst, an exciting, new venture from Corteva – a company committed to enriching lives, being bold, staying curious and relentlessly innovating."

CORTEVA™
agriscience

Ducera Growth Ventures

III. Ducera Partners Overview

Ducera Partners Overview

As business owners ourselves, our clients know that we advise from a place of insight and action. Nothing is theoretical—we know because we've been there.

Strategic Advisory and M&A

Ducera advises clients in a variety of complex and transformative transactions.
Our professionals, with roots in complex corporate finance, offer independent advice to stakeholders in a broad range of situations.

Restructuring

Ducera provides clients with leading-edge capital structure and restructuring advice.
We have pioneered a number of the most innovative transactions in various industries in transition. Both in and out of court, our team's highly collaborative approach is unparalleled.

Ducera

We are the ones top decision-makers seek out

Liability Management

Ducera advises clients on liability management transactions related to companies' capital structures and other off balance sheet liabilities.
We develop creative transaction structures that proactively address stressed balance sheets, the need for growth capital, and are value maximizing.

Capital Markets Advisory

Ducera advises companies as they navigate the complexities of the capital markets.
Clients rely on our depth of experience to fully assess all available options. We tap into our vast network to help clients efficiently achieve their objectives. Years of experience and global connectivity make us a preferred choice for clients' capital solutions.

Our Story

100% ***Partner-Owned***

100% ***Conflict Free***

30 ***Years of Legacy***

$800 billion+
Deal Volume

Evolution

Ducera Partners was founded in June 2015, but our leadership team has been working together for **nearly three decades**.

Led by Michael Kramer, an industry veteran and well-known pioneer in the restructuring and investment banking business, we are proud of our evolution, which includes a strong growth trajectory as our team and client relationships have grown.

Legacy

After decades of working closely together, Ducera Partners is the culmination of all that we have achieved to date.

Ducera is our legacy. As professionals, we are united by strong beliefs and aligned in our **client-centric philosophy**. We are **forward-thinking, driven, and fearless**. Above all, we pledge to be great partners to each other, clients, and fellow professionals.

Ducera Partners Principles

For nearly three decades, our leadership team has been advising on many of the most relevant corporate finance transactions in the industry. We are known for developing and maintaining close relationships with decision makers because of the results we provide and the business principles our senior leadership follows.

Client-Centric

We always put our **clients' interest first**; our success is directly aligned with the success of our clients.

Authentic

As business owners ourselves, our clients know that we advise from a place of **insight** and **action**. Nothing is theoretical – we know because we have been there.

Bold

We bring **strength** and **experience** in the face of difficult and transformational events. When times are the toughest, we are fully prepared so our clients can move ahead with confidence

Trusted

The relationships that we have with our clients are integral to our work; **advice** and **trust** go hand in hand.

Agile

We consider all variables, playing out multiple scenarios simultaneously, to design the best **solution** for our clients. We don't accept the status quo or the easier path.

Simplification

We do the heavy lifting so our clients don't have to worry; we **simplify** the complex.

Cary Street Strategic Partnership

CARY STREET PARTNERS

- Cary Street Partners is a leading independent wealth manager that offers a comprehensive suite of services to its clients
- Ducera invested in, and entered a strategic partnership with, Cary Street in 2019

Total Approximate Assets
$7.5 billion

Headquarters
Richmond, Virginia
Founded in 2002

Comprehensive Wealth Management

- Financial Planning
- Investment Management
- Research & Portfolio Advisory Services
- Data Aggregation
- Estate & Life Insurance Strategies
- Performance Reporting
- Corporate Benefits & Retirement Planning Services

Offering Advisors

- Independence
- Ownership Opportunity
- Open Architecture
- Entrepreneurial Environment
- Multi-Custodian Platform
- Industry-Leading Technology
- Transition Support
- Marketing Resources
- A Partnership Culture

Independent research and economic insights

Hybrid RIA

70+ Financial Advisors

www.carystreetpartners.com

Joseph R. Schmuckler, CEO
Thomas O. Herrick, CIO

Diversified Model-Based Asset Management Offering

Cary Street has grown AUM by **~2x** since entering its strategic partnership with Ducera in 2019

16 Offices across the southern & mid-Atlantic regions

Sources: Cary Street Investor Presentation, Company Website

Ducera

Quannix Strategic Partnership

- Ducera's proprietary Quannix algorithm screens and compiles various proprietary online indicators to understand companies' current growth performance
- Ducera entered a strategic partnership with Quannix owner Growth Science in 2017

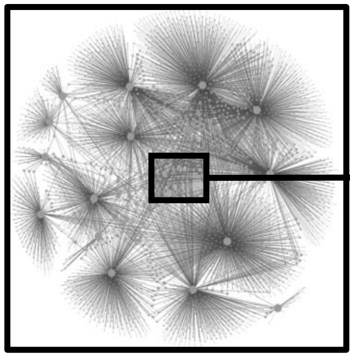
Quannix Overview

Quannix has digitized traditional Disruption Theory into a continuous learning model and has shown the ability to be very accurate across most industries and at all stages of a company's life cycle.

- Quannix is a highly sophisticated computing system that relies on decades of experience and tens of millions of dollars of investment
- Quannix adheres to classic disruption and competitive threat regression analyses, by applying artificial intelligence and data science, to substantially increase the odds of identifying those companies with the highest probability of succeeding
- In addition to predicting a company's survival rates, Quannix also simultaneously increased the odds of avoiding companies that are most likely to fail
- Quannix mines and combines proprietary internet indicators to estimate the valuations of private companies
- The data used does not include traditional financial, revenue, or last-round valuations because such metrics are often unavailable or unreliable in private markets
- Through ongoing training on random samples from more than 1,000 publicly held companies, Quannix uses ensemble modeling to estimate the valuations of private businesses using the most accurate models that succeed in predicting public valuations
- The ensemble methods use > 1,000 diverse learning algorithms (rather than a single model) to obtain better predictive performance than could be obtained from any of the constituent learning algorithms alone

Quannix Strategic Partnership: Sample Quannix Output

WHAT SOLUTIONS COMPRISE THE “MARKET”?



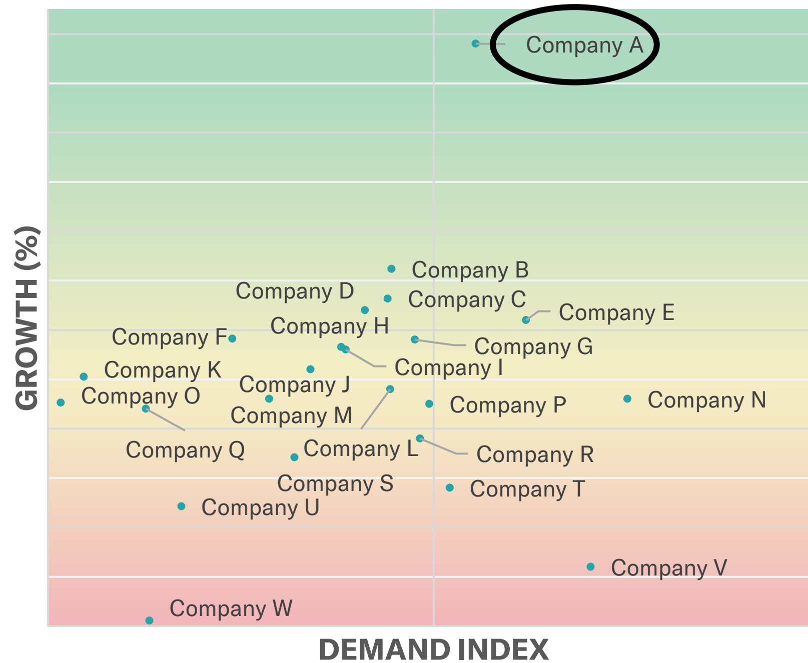
WHO IS OPERATING WITHIN THE MARKET

DEMAND INDEX

AGGREGATE SIGNALS OF MARKET DEMAND THAT ARE USED TO ESTIMATE A TARGET’S VALUATION

GROWTH (%)

PROPRIETARY MEASURE OF CHANGE IN CUSTOMER TRACTION IN THE TARGET MARKET, CORRELATED WITH CUSTOMER ADOPTION, AND VALUATION



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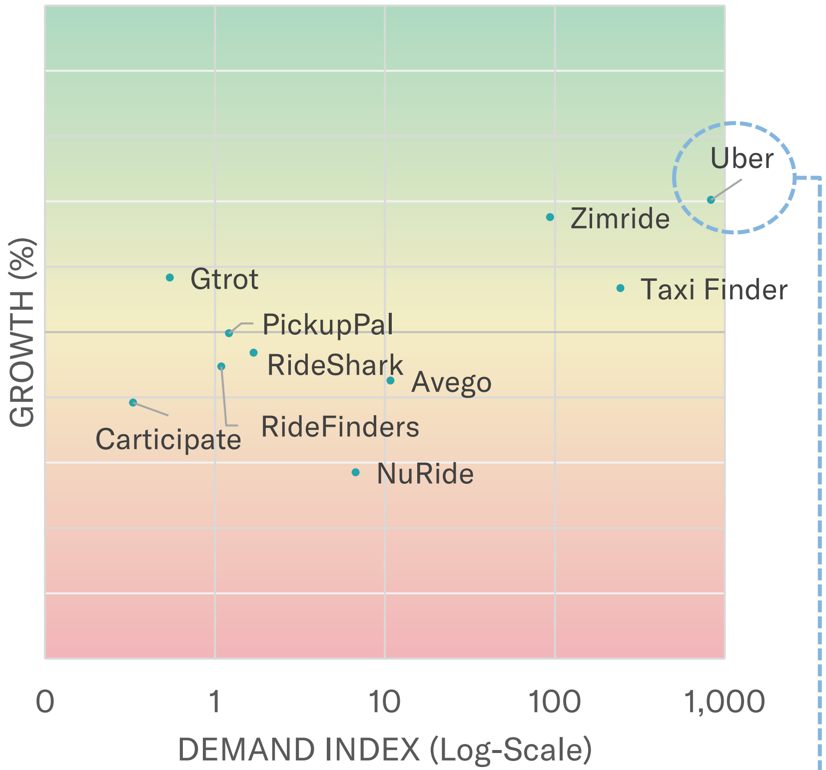
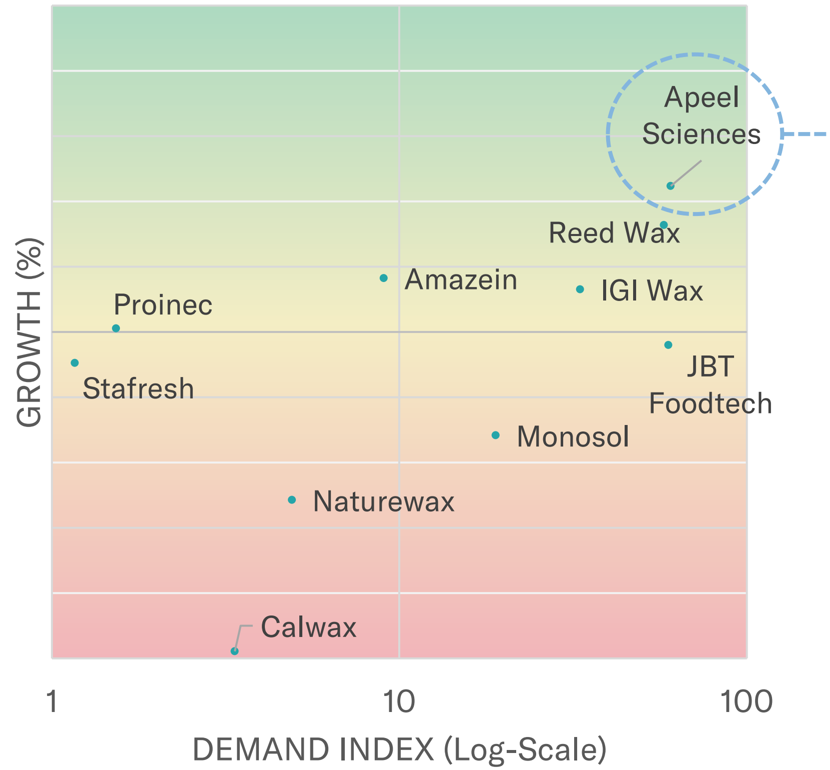
Quannix Strategic Partnership: Historical Quannix Case Study

Ridesharing (As of 2011[(1)])



- Identified as the market leader in 2011 when it had only raised $1.5m in a seed round
- Valued at $112 billion by 2021
- Consumer smartphone app

Fruit & Vegetable Coatings (As of June 2015[(1)])



- Identified in 2015 when valued at $5.08m in a seed round
- Valued at $2.4 billion by 2021
- B2B material science / agritech

Notes:
(1) Actual Quannix output from specified date

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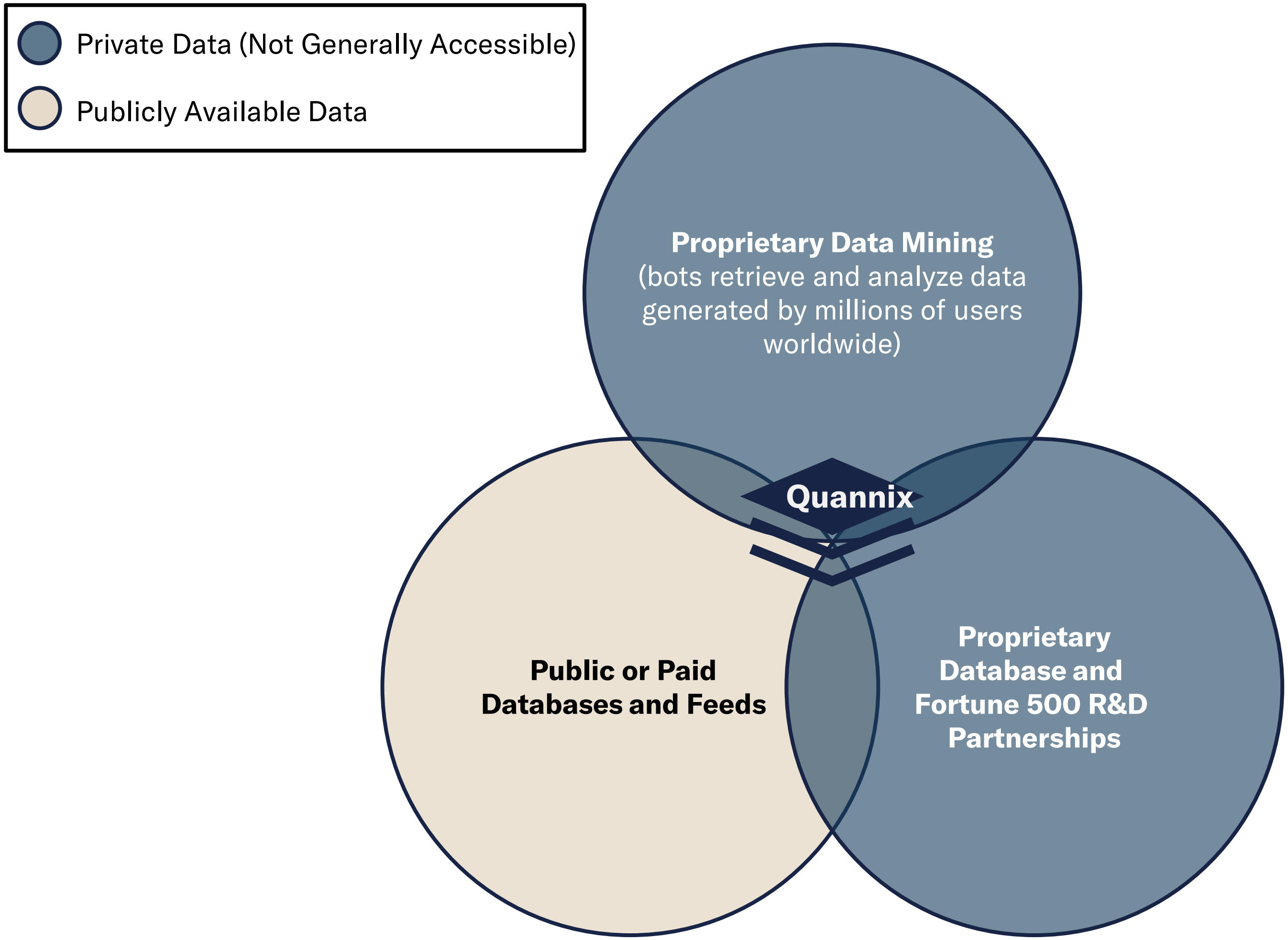
Quannix Strategic Partnership: Quannix Data Source Examples



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