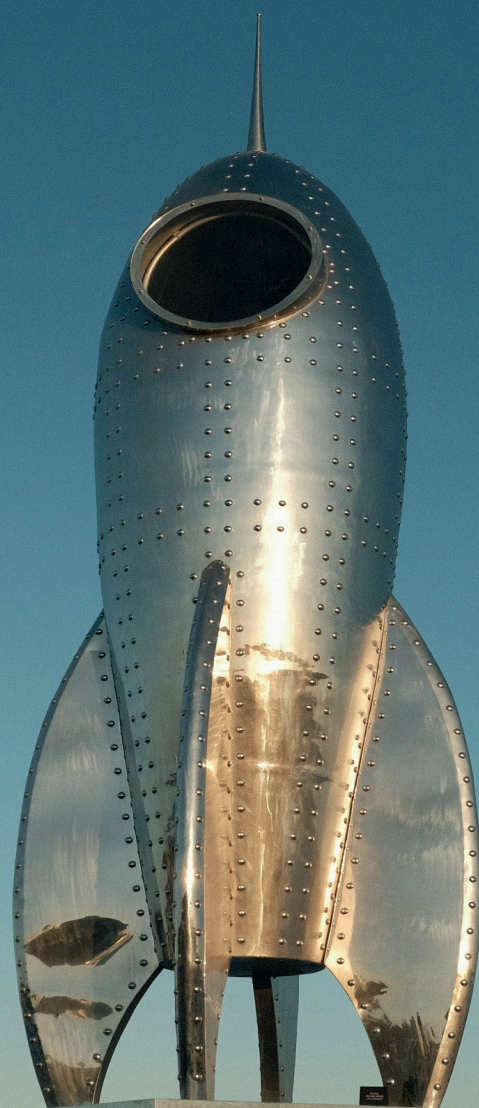


STATE OF THE MARKET

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Redefining opportunistic credit

GREGORY CASHMAN, CO-HEAD OF DIRECT LENDING AT GOLUB CAPITAL AND CHAIR OF GOLUB CAPITAL CREDIT OPPORTUNITIES, INTERVIEWED BY ANDREA PICARD, HEAD OF GLOBAL INVESTOR SOLUTIONS AT GOLUB CAPITAL

Andrea Picard ("AP"): Opportunistic credit seems to mean different things to different managers. How does Golub Capital define it?

Greg Cashman ("GC"): At Golub Capital, opportunistic credit is both a dedicated investment strategy and a mindset. As an investment strategy, it means seeking out the best risk-return value across the full capital stack, without being constrained by generic industry terms or categories such as "distress". As a mindset, it means applying a credit-first approach to the opportunity set and leveraging the deep relationships we've developed over decades with key participants across the credit markets.

When you look at the universe of opportunity in corporate credit, there is a rich domain lying between traditional senior-only lending and common equity. We know this space intimately and have been working across it for 30 years. It isn't fully captured by traditional categories such as mezzanine or junior debt and most senior-only direct lending funds are unable to take advantage of it.

This is the domain in which our opportunistic credit strategy operates, tapping into real-time and evolving opportunities across the continuum of private credit. For us, opportunistic credit is less about fitting into a category and more about leveraging our professional network and expertise to find value wherever it emerges across the credit ecosystem. At the end of the day, opportunistic credit is less of an asset class, per se. Rather, we think of it more as a business – a relationship business.

AP: There's a common view that opportunistic credit is only relevant during periods of market distress. Do you agree?

GC: While periods of extreme market dislocation or distress often generate attractive opportunities, such moments are rare, difficult to predict and typically don't last very long. The reality is that liquidity mismatches and funding challenges are

always occurring in the credit markets, even during normal conditions. One recent example is the opportunity we see in net asset value ("NAV") financing. When the M&A and IPO markets cool off and portfolio company exits slow, it is natural for limited partners LPs to become anxious about the pace of distributions. Resourceful fund sponsors sought out a novel form of debt capital that would give them a form of "extra innings" – allowing them to put more capital to work in their best deals while also delivering interim liquidity back to their investors. Hence, the emergence of NAV finance.

Other examples include junior capital solutions, which often arise as sponsor-backed companies seek to optimise their balance sheets or raise capital for add-on acquisitions. Another is synthetic risk transfers for banks looking to manage capital requirements in the face of longstanding regulatory constraints. These situations do not require an economic crisis or deep distress – rather, they are part of the ongoing ebb and flow of liquidity in the credit markets.

AP: What drives these recurring opportunities in the credit space?

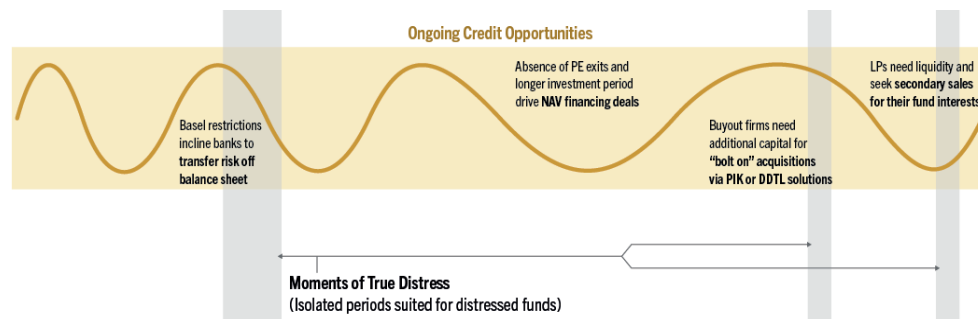
GC: Scarcity is a major driver, with this coming in many forms. Traditional sources of liquidity, whether from banks, collateralised loan obligations ("CLO"s), exchange-traded funds ("ETF"s) or mutual funds, can periodically dry up. For example, volatile flows from mutual funds and especially

ETFs, can reverse quickly, chasing liquidity from the markets and putting pressure on issuers. Alternatively, sudden market news can disrupt an entire category – as when the initial tariff announcement nearly shut down the syndicated loan market for several weeks, sending pricing on some individual issues to deep discounts. Another force is regulation: risk capital charges imposed by bank or insurance regulators can prompt novel investment vehicles and different financing opportunities, whether to enable investment or lighten levered exposures from balance sheets. These imbalances create ongoing funding challenges, with opportunistic credit managers well placed to step in and provide creative solutions. We constantly monitor these dynamics to identify where capital is needed most and where we can add value.

AP: How does a platform like that of Golub Capital access and evaluate the diverse opportunities that come up in such a broad strategy?

GC: Relationships and alignment are absolutely critical. The best opportunistic credit managers sit at the centre of a diverse ecosystem that includes private fund GPs, portfolio companies, direct lenders, LPs, banks and other trading partners. Longstanding relationships and a deep understanding of each participant's needs give us an edge. Often, the key investment advantage comes not from just analysing the numbers, but from knowing the people and the businesses.

Figure 1: Periods of extreme distress are not required for opportunistic credit managers to address a diverse array of liquidity needs



Source: Golub Capital, for illustrative purposes only

For example, being an incumbent lender to a sponsor-backed company as it grows from a lower middle market borrower to a large market broadly syndicated loan (BSL) issuer gives us unique insight into the firm and its management – it gives us access to opportunities that outsiders simply would not have. When we see BSL debt in the market from this issuer, there's no one better to assess the loan's intrinsic value and judge the level of any mispriced discount. Again, it's a business built on and enabled by these types of relationships.

Figure 2: Opportunistic managers occupy the centre of the credit ecosystem



Source: Golub Capital, for illustrative purposes only

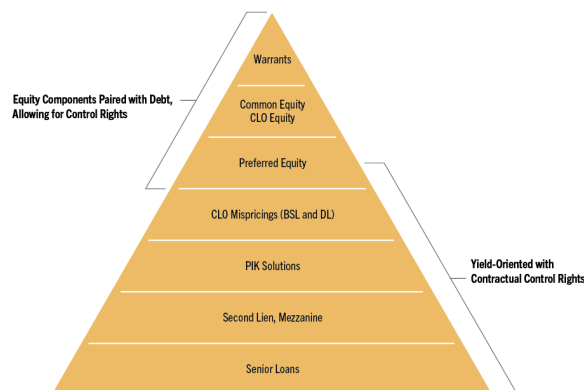
AP: Where does opportunistic credit fit within the broader private markets?

GC: Most investors have longstanding and sizable allocations to traditional private equity and private credit, and for good reason. However, this leaves a considerable set of highly attractive private market opportunities still untapped.

We view the “opportunistic” space as a broad and highly diverse zone stretching from senior lending at the top of the capital stack all the way to common equity and warrants at the bottom – and almost everything in between. This middle ground has many appealing characteristics, with its performance delivering an attractive blend of equity upside and contractual yield, typically with an internal rate of return (“IRR”) in the mid-teens. Some believe this opportunistic approach should be reserved for periods of deep market distress, but we see attractive hybrid investments of this sort continuously emerging across the broad ecosystem of credit market participants.

Unlike more standard fund categories such as pure-play buyout or private credit, where brand name and check size often dominate, the opportunistic arena rewards

Figure 3: Seeking opportunities up and down the capital stack: From first and second lien loans to preferred equity and warrants



Source: Golub Capital, for illustrative purposes only

agility, relationships and structuring expertise more. The deals we pursue often do not fit neatly into the mandates of traditional private equity or direct lending funds, which is why this strategy offers such value to investors looking to diversify.

AP: What capabilities set a successful opportunistic credit manager apart?

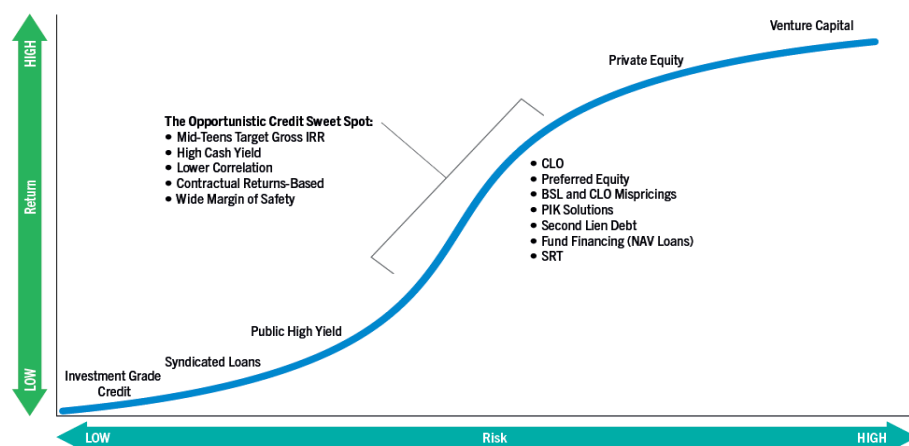
GC: We’ve already mentioned the importance of incumbencies and competitive advantage based on knowing the community of credit market participants. Related to that is the ability to source, evaluate and execute attractive credit-oriented deals across the capital stack. That means having proficiency in everything from senior loans to mezzanine debt, structured equity and public syndicated loans. Structuring smarts are key too: the ability to pair contractual yield components with equity upside, often including some form of control rights, is central to what we do. The right manager also needs to be creative in structuring deals and patient enough to harvest the illiquidity premium that comes with these less-liquid credits.

AP: How does opportunistic credit complement an investor’s portfolio?

GC: We believe that opportunistic credit can act as a form of completion strategy for most private market allocations. It fills an important gap between traditional flagship private equity and private credit funds, offering a blend of predictable cash yield and structured equity upside. The result is a diversified hybrid of credit-oriented investments with a lower correlation to other private market exposures and a comforting margin of safety (thanks to that contractual income component). We can tap areas of the market that traditional buyout and senior lending funds typically will not, or cannot, capitalise on. As such, it can help investors achieve a more balanced risk–return profile, with differentiated performance drivers that can diversify their overall portfolio.

AP: Can you share examples of the types of transactions that fall under opportunistic credit?

Figure 4: Completing the private market allocation: Opportunistic credit returns deliver a mix of contractual-based yield with equity upside



Source: Golub Capital, for illustrative purposes only

GC: Of course: The world of private equity has evolved. The latest generation of private equity GPs can no longer rely solely on organic company transformation to drive the desired level of multiple expansion in their deals. Today, many pursue a buy-and-build approach instead, where buyout funds require substantial add-on capital to bolt on smaller competitors to their portfolio companies. Sponsors can do this through delayed draw term loans ("DDTL"s), recapitalisations or junior capital solutions – many of which can be provided by opportunistic lenders to enhance or replace the borrower's original capital structure.

Or consider the debt manager with know-how and scale in the growing world of structured debt or CLOs – an expert in looking through and unpacking the vulnerabilities in such a portfolio of credit assets. A manager with this kind of expertise in structuring debt might detect in advance when a particular credit would likely be sold by a CLO manager due to stressed pricing or a lapsed rating. This, in turn, could provide early warning of a potential opportunity for the BSL team to purchase the credit in the open market at a substantial discount. These types of transactions typically emerge from a specific borrower's need for liquidity and structuring expertise and often arise from our close relationships with sponsors, banks and other market participants.

AP: What should investors look for when evaluating opportunistic credit managers?

GC: Investors should look for managers with a proven track record of navigating complex credit markets and delivering consistent results across credit cycles. They should look for deep relationships across the credit ecosystem, as well as the ability to source and structure creative solutions tailored to the market's evolving needs. Investors should also seek out managers with a keen sense for traded secondary markets in public syndicated loans, who can identify and capitalise on perceived mispricing in first lien, second lien, hung syndications or other types of stressed debt securities. In addition, they should look for managers skilled at securing risk-managed exposure with equity upside through warrants and common shares, carefully paired with debt-like characteristics.

A true opportunistic manager must have the flexibility to capitalise on a variety of momentary shifts in the supply and demand for liquidity, which often give rise to particularly attractive risk-reward characteristics. Funds with more restrictive investment mandates may be forced to sit on the sidelines through cycles that do not align with their particular focus.



Gregory W. Cashman is Co-Head of Direct Lending and Chair of Golub Capital Credit Opportunities. Greg joined Golub Capital in 1996. He is responsible for overseeing origination, deal execution and capital markets. He is also a member of the firm's Investment and Watchlist committees and is a Director or Advisory Director of a number of the firm's portfolio companies. Prior to joining Golub Capital, Greg worked in various finance positions at Bristol-Myers Squibb Co., reporting to the Chief Financial Officer and acting as Manager of Business Development for the venture capital arm of Bristol-Myers Squibb's Consumer Medicines division. Prior to that, Greg spent four years as a Senior Accountant with Arthur Andersen & Co., serving emerging growth companies.

Greg earned his B.Sc. degree in Commerce from the University of Virginia. He received an MBA from the Darden School of Business.



Andrea Picard is a Managing Director and Head of Global Investor Solutions within the Investor Partners Group. Andrea joined Golub Capital in 2024. She is responsible for leading institutional client business, developing long-term partnerships and delivering tailored investment solutions to investors globally for the Firm. Prior to joining Golub Capital, Andrea was Managing Director in the Americas Institutional Business at BlackRock, where she was the Head of US Pensions. Prior to this position, she was a Partner and Director of Marketing at Stelliam Investment Management, where she led the marketing and client relationship team. Prior to that, she worked at Raven Asset Management. Andrea began her career at Lehman Brothers.

Andrea earned her B.A. degree in Linguistics from the State University of New York at Albany. She received an M.B.A. in Finance from the NYU Stern School of Business.

Golub Capital is a market-leading, award-winning direct lender and experienced private credit manager. We specialise in delivering reliable, creative and compelling financing solutions to companies backed by private equity sponsors. Our sponsor finance expertise also forms the foundation of our Broadly Syndicated Loan and Credit Opportunities investment programmes. We nurture long-term, win-win partnerships that inspire repeat business from private equity sponsors and investors. As of October 1, 2025, Golub Capital had over 1,000 employees and over \$85 billion of capital under management, a gross measure of invested capital including leverage. The firm has offices in North America, Europe, Asia and the Middle East. For more information, please visit golubcapital.com.