Crude Oil Price & OPEC Production Cut History

- 50%+ Oil Price Declines Are Rare Events

Historic HY Energy Relative to HY Spread

Source: Bloomberg, BofA Merrill Lynch  Data as of 2/28/17
BofA ML U.S. HY Energy Index (Par Weighted)

N. America Energy Bankruptcies 2015 - 2017
Credit Liquidity Gap

Change in % Credit Ownership Since March 2009

Source: UBS, Federal Reserve

Primary Dealer Inventory of Corporate Bonds vs. Total Stock of US Corporate Bonds Outstanding

*Nonfinancial corporate business debt securities liability
Source: Federal Reserve Bank of New York, FRED St. Louis Fed
Data as of January 1, 2016

Energy Credit Return Drivers Going Forward

• **Special Situation Opportunities** – Idiosyncratic, alpha generating investments that can be based on our early, or differing view of a particular basin or subsector relative to the market.

• **Crossover Credits** – Over $140B of IG paper fell into the HY market during the downturn and many of these companies have been deleveraging and rightsizing their balance sheets, increasing the potential to be upgraded back to IG ratings in the next 2 to 3 years, providing good yield and principal appreciation potential going forward.

• **Re-Org/Distressed Opportunities** – As a result of the downturn, there are many interesting restructuring opportunities whereby bondholders convert debt to equity at the trough of the cycle. These opportunities have the potential for very high returns.

• **Opportunistic and Relative Value Trading** – These opportunities are numerous and can be related to acquiring cheaper assets within the capital structure of a particular entity, or relative to another company.