

# Calamos Aksia Alternative Credit and Income Fund (CAPIX)

## MARKET COMMENTARY

Despite the slowdown in private equity transaction activity last year, the private credit markets remain active on many fronts. This past quarter saw record size transactions in both direct lending, especially in the technology industry, and in asset-backed investments secured by real estate, specialty finance assets and other collateral. Previously, \$1+ billion private credit transactions would be a noteworthy event but continued challenges in the syndicated loan markets in both the US and Europe have provided a financing gap for private credit originators to fill. Further, the much-publicized headwinds facing US regional banks in 2023 have created a favorable environment for private credit originators to capture more market share in strategies such as commercial real estate, consumer finance and portfolio financings (specifically NAV loans). Recent examples of private credit transactions driven by these trends include refinancings of bank debt to private credit, more collateralized (<40% loan-to-value) leveraged buyout (LBO) private debt financings, asset-backed investments, and “regulatory capital” transactions (discussed below).

At the same time, rising interest rates have been a headwind for some businesses as higher borrowing costs have cut into earnings. Aksia analyzed private credit investments dating back to 2001 and recently published an analysis of the impact of rising borrowing costs on private borrowers. In short, while financial performance was relatively resilient in 2023, there is a cohort of middle market borrowers who our analysis shows are under some stress from a liquidity perspective (<1.5x

interest coverage ratio). A relatively high portion of the stressed borrowers are from 2020/2021 vintage loans originated and structured for a time when borrowing costs were nearly half of today's levels. Tightening interest coverage ratios are “yellow light” for the market but can also be a source of “special situations” investments for some originators to provide new loans at a higher yield.

We are actively reviewing new investments across all private credit sectors and believe that the financing gaps in the market, stresses on banks and introduction of increased regulations have created an attractive time to deploy fresh capital.

## CAPIX PORTFOLIO ACTIVITY THROUGH DECEMBER 31, 2023

Since June, Aksia has evaluated over \$14 billion of private credit investments from >125 different sourcing partners. As of December 31st, CAPIX has invested in over 60 investments, maintaining a balance between the direct lending sector (approximately 46%) and the other five private credit sectors. Recent investments include loans to private equity-owned businesses across industries and geographies, loans secured by multi-family real estate, a loan facility to a specialty finance platform, a regulatory capital investment with a global bank, and a discounted secondary acquisition of a European opportunistic private credit fund. The portfolio is comprised of primarily floating rate loans with an average spread over base rates of ~7.1%.

## NEW PRIVATE CREDIT OPPORTUNITY SPOTLIGHT: US REGULATORY CAPITAL RELIEF

Private credit opportunities tend to result from factors such as capital markets retrenchment or other dislocations. In the wake of US regional bank difficulties last year, there has been further industry consolidation as well as new US banking regulations. Banks now have less latitude over their own risk models, which can put downward pressure on their capital ratios due to certain business lines becoming less capital efficient. This has led to an uptick in new regulatory capital transactions, wherein a bank sells a portion of the risk on a diversified pool of loans to improve the bank's regulatory capital ratios. These structures have been used for years in Europe but are newer in the US, especially with banks looking to reduce exposure to historically strong credit areas like fund subscription lines and investment grade corporate credit risks (e.g., revolving credit facilities). This is a strategy CAPIX has recently added, working with private credit sourcing partners specialized in Regulatory Capital Relief investments.

## KEEPING UPDATED WITH CAPIX/AKSIA PRIVATE CREDIT

View recent research and upcoming events at [calamos.com/capix](https://calamos.com/capix).

## OVERVIEW

- > World class partnership between Calamos Investments, a leader in liquid alternatives and Aksia, a leader in the private credit asset class.
- > Calamos Investments is renowned for its innovative, risk-managed performance across asset classes with \$35 billion in assets under management; \$16 billion in liquid alternatives<sup>1</sup>.
- > Aksia is a private credit expert with global access and extensive experience investing across the asset class, with \$325 billion<sup>2</sup> in total advised and managed client assets including \$103.4 billion<sup>3</sup> in private credit.
- > Aksia tracks financial information on over 49,000 private credit loans and other investments held in institutional private credit portfolios we monitor (collectively representing several million data points). This information, along with real-time origination data provides insights into private credit trends and private company health.

<sup>1</sup> As of 12/31/2023

<sup>2</sup> As of 10/31/2023 - Of which \$300 billion is non-discretionary (AUA) and \$25 billion is discretionary (AUM)

<sup>3</sup> Data as of 10/31/2023 - Of which \$89.7 billion is non-discretionary (AUA) and \$13.7 billion is discretionary (AUM).

**Before investing carefully consider the fund's investment objectives, risks, charges and expenses. Please see the prospectus and summary prospectus containing this and other information which can be obtained by calling 1-866-363-9219. Read it carefully before investing.**

The Fund has been organized as a closed-end management investment company. Closed-end funds differ from open-end management investment companies (commonly known as mutual funds) because investors in a closed-end fund do not have the right to redeem their shares on a daily basis. Unlike most closed-end funds, which typically list their shares on a securities exchange, the Fund does not currently intend to list the shares for trading on any securities exchange, and the Fund does not expect any secondary market to develop for the shares in the foreseeable future. Therefore, an investment in the Fund, unlike an investment in a typical closed-end fund, is not a liquid investment.

The Fund is designed primarily for long-term investors and not as a trading vehicle. The Fund is an "interval fund" pursuant to which it, subject to applicable law, will conduct quarterly repurchase offers for between 5% and 25% of the Fund's outstanding shares at net asset value (NAV). Under normal market conditions, the Fund currently intends to offer to repurchase 5% of its outstanding shares at NAV on a quarterly basis. In connection with any given repurchase offer, it is possible that a repurchase offer may be oversubscribed, with the result that Fund shareholders ("Shareholders") may only be able to have a portion of their shares repurchased. Even though the Fund will make quarterly repurchase offers to repurchase a portion of the shares to try to provide liquidity to Shareholders, you should consider the shares to have limited liquidity.

**Risk Factors:** General Economic Conditions and Recent Events. Difficult global credit market conditions have adversely affected the market values of equity, fixed-income, hard assets, and other securities and these circumstances may continue or even deteriorate further. The short- and longer-term impact of these events is uncertain, but could have a material effect on general economic conditions, consumer and business confidence and market liquidity. Investments made by the Fund are expected to be sensitive to the performance of the overall economy.

**Direct Lending.** The Fund will invest in directly originated senior secured loans, including unitranche loans, of performing middle market companies. The value of the Fund's assets is volatile and may fluctuate due to a variety of factors that are inherently difficult to predict and are outside the control of the Advisor and Sub-Advisors, including prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, changes in interest rates, or the financial condition of the obligors of the Fund's assets.

**Direct Origination.** A significant portion of the Fund's investments may be originated. The results of the Fund's operations depend on several factors, including the availability of opportunities for the origination or acquisition of target investments, the level and volatility of interest rates, the availability of adequate short and long-term financing, conditions in the financial markets and economic conditions. Further, the Fund's inability to raise capital and the risk of portfolio company defaults may materially and adversely affect the Fund's investment originations, business, liquidity, financial condition, results of operations and its ability to make distributions to its Shareholders.

**Loans.** Loan interests generally are subject to restrictions on transfer, and the Fund may be unable to sell loan interests at a time when it may otherwise be desirable to do so or may be able to sell them only at prices that are less than what the Fund regards as their fair market value. Accordingly, loan interests may at times be illiquid. Loan interests may be difficult to value and may have extended settlement periods, which expose the Fund to the risk that the receipt of principal and interest payments may be delayed until the loan interest settles.

**Secured Debt.** Secured debt holds the most senior position in the capital structure of a borrower. Secured debt in most circumstances is fully collateralized by assets of the borrower. However, there is a risk that the collateral securing the Fund's loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the borrower to raise additional capital. Also, substantial increases in interest rates may cause an increase in loan defaults as borrowers may lack resources to meet higher debt service requirements.

**High Yield, Low-Rated or Unrated Securities.** Debt securities (including bonds) and preferred stock in which the Fund invests may or may not be rated by credit rating agencies. The values of lower-rated securities (including unrated securities of comparable quality) fluctuate more than those of higher-rated securities because investors generally believe that there are greater risks associated with them. The inability

(or perceived inability) of issuers to make timely payment of interest and principal would likely make the values of the securities more volatile and could limit the purchaser's ability to sell the securities at prices approximating the values it had placed on the securities. In general, the market for lower-rated or unrated securities is smaller and less active than that for higher-rated securities, which can adversely affect the ability to sell these securities at favorable prices. In addition, the market prices of lower-rated securities are likely to be more volatile because: (i) an economic downturn or increased interest rates may have a more significant effect on the yield, price and potential for default; (ii) past legislation has limited (and future legislation may further limit) investment by certain institutions in lower-rated securities or the tax deductibility of the interest by the issuer, which may adversely affect the value of the securities; and (iii) it may be difficult to obtain information about financially or operationally troubled issuers. The Fund will not necessarily dispose of a security when its rating is reduced below its rating at the time of purchase.

**Unsecured Loans.** The Fund may make unsecured loans to borrowers, meaning that such loans will not benefit from any interest in collateral of such borrowers. Liens on such a borrower's collateral, if any, will secure the borrower's obligations under its outstanding secured debt and may secure certain future debt that is permitted to be incurred by the borrower under its secured loan agreements. The holders of obligations secured by such liens will generally control the liquidation of, and be entitled to receive proceeds from, any realization of such collateral to repay their obligations in full before the Fund. In addition, the value of such collateral in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. There can be no assurance that the proceeds, if any, from sales of such collateral would be sufficient to satisfy the Fund's unsecured loan obligations after payment in full of all secured loan obligations. If such proceeds were not sufficient to repay the outstanding secured loan obligations, then the Fund's unsecured claims generally would rank equally with the unpaid portion of such secured creditors' claims against the borrower's remaining assets, if any.

**Average loan-to-value:** Average loan-to-value is the arithmetic average across all loans in the portfolio. Loan to value is amount of the loan compared with the value of the collateral at time of origination.

**CALAMOS**  
INVESTMENTS

Calamos Financial Services LLC  
2020 Calamos Court | Naperville, IL 60563-2787  
866.363.9219 | www.calamos.com  
caminfo@calamos.com

© 2024 Calamos Investments LLC. All Rights Reserved.  
Calamos® and Calamos Investments® are registered trademarks of Calamos Investments LLC.

© 2024 Aksia LLC. All Rights Reserved. Aksia® is a registered trademark of Aksia LLC.

ACICOM 822279 0124