Audio Transcript: Credit Roundtable: Finding Opportunities Requires Patience and Persistence
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Katie Klingensmith [00:00:02] Welcome, everybody, to the Credit Roundtable, part of Brandywine Global's series of conversations, Around the Curve. I'm Katie Klingensmith at Brandywine Global, and I'm delighted to be joined by three of my colleagues from the fixed income group today. I'm first joined by John McLain, who is part of our High Yield Credit team. I'm also joined by Tracy Chen, who works on a variety of topics and has a deep expertise in securitized credit. And I'm joined by Kevin O'Neil, who works on credit and has an excellent perspective on the bottom-up in the sectors. There is so much we can talk about today. We're just going to scratch the surface on a number of different topics. But just to get us started, I'm going to give it to you, John. There's been so much focus for years now on what the Fed is doing and saying. We just heard from the Fed. How much of everything that's going on in credit markets right now is about this Fed pivot, and actually waiting for it to materialize?

John McClain [00:00:59] Thanks, Katie. I think everything is predicated on the Fed right now. Unfortunately, I feel like we're in a position where, instead of being investors, we're just analyzing and hanging on Jay Powell's every word. And you saw quickly what happened in the fourth quarter as the market perceived the Fed to remove its hawkish stance. We saw a very strong move up in all risk assets. And as we're recording this today on February 1, what we saw yesterday was a little bit of a change in tone from the Fed, which caught investors offsides to a degree. And I think it jives with our opinion, which is that we are going to see a market that is higher for longer. That hasn't changed. There is no reason we believe that you will see five, six rate cuts and a slowdown in balance sheet runoff if we stick the landing.

Katie Klingensmith [00:01:58] If only there were other fundamentals that were really driving things beyond the Fed. But alas, some of them still do matter. Tracy, just react to that. What do you see as really driving credit markets right now? The Fed or more than the Fed.

Tracy Chen [00:02:11] Thank you, Katie. I concur with what John said. I think the Fed meeting kept the rates steady yesterday as expected. But they have a very, very much a more hawkish tone. So, ever since last November, credit market has been responding to the Fed's dovishness. And then the soft landing became consensus. So, you see the financial condition eased significantly and the credit market rallied very, very hard since last year end. So, this Goldilocks soft landing scenario is the consensus. But I would add some kind of caution. I think if you look at the recent earnings season, right? It is a little bit weaker than market expectation. And the top-down macro data is still very, very resilient. There's some warning signs emerging on the inflation front because of the geopolitical confrontation in the Red Sea. And also investor positioning has been a little bit stretched. So, I think for credit investors, there should be some kind of caution added to their, to their approach to the credit market.

Katie Klingensmith [00:03:19] Right. We've all become really optimistic all of a sudden. Well, Kevin, I want to bring you in. I know that you have really followed, from a bottom-up perspective, earnings. And we're still in the middle of getting to the end of earnings season. What have you learned? And do you see reasons for Tracy to continue to fret a little more than what we're seeing in the top-line market reactions?

Kevin O'Neil [00:03:39] Yeah, I think I can add commentary basically to both John and Tracy. In terms of earnings--and again, we're maybe halfway through earnings season, maybe slightly more after this week--I would say it's mixed. You know, Tracy made the point that there was certainly some weakness there, maybe surrounding some of the industrials. And a lot of that stemming from China, where you're seeing more weakness come out of there. Domestic companies doing a little better. The one thing that was positive up until maybe two days ago was the banking sector. Prior to that, a lot of the regional banks, and certainly the money centers, I would say, came out with fairly positive earnings where you're seeing maybe off peaks of net interest margin, but really the deposits stabilizing. Which is, you know, that's really important to, kind of, the credit growth of the economy. And then lastly, maybe your Mag Seven. They had good numbers. But I think this speaks to John's point. The expectation for those numbers were so high, maybe the equities didn't respond. But overall, the numbers were positive.

Katie Klingensmith [00:04:45] John, just react to that. Have you learned anything this season?

John McClain [00:04:48] Yeah. I think where we're at right now is fundamentals matter. And we're seeing them reasonable. And particularly from a credit perspective more than anything, I think what we have observed is that the cost of capital is materially higher for companies. And therefore they are borrowing less, which is a meaningful tailwind for corporate credit, both in investment grade and in high yield. But the other piece of it, as both Tracy and Kevin have alluded to, is that valuations matter a lot, too. And with IG corporate spreads at 100, high yield at 360, you're stretched. And really you need the soft landing. And you need, companies to continue with the behavior that is beneficial for bond holders to really generate strong returns from here. So, I do think that while we are in a positive economic backdrop, we need to be cautious because of valuations. And you're paid to be patient right now with an inverted curve and strong yields on the front end.

Katie Klingensmith [00:05:46] Kevin, what does all this mean from a consumer perspective? I know that you are both following from an earnings perspective and also looking at a lot of the macro data.

Kevin O'Neil [00:05:58] So, Katie, many of the larger retailers come in the second half of the earnings. And they provide a lot of color on their customers. So, I really look forward to their commentary there. What we've had thus far in terms of the consumer health has really stemmed from the banks that we had early. We've read a lot about maybe credit card delinquencies coming higher, especially at the lower-end consumer. But a lot of these banks are telling you that underwriting standards are a lot better than they were previously. And a lot of these delinquencies may be peaking mid-year, and that they're seeing a lot more confidence within the consumer name. And that's been really reflected in some of the GDP growth that we've seen that was really consumer driven.

Katie Klingensmith [00:06:42] All of this, of course, is going to play out in the health of the households. And Tracy, I want to dive into some commercial opportunities there. But just how would you characterize the health of US households and the actual housing market right now?

Tracy Chen [00:06:55] Thank you, Katie. I think the US housing market is a mixed story. On the one hand, it's very imbalanced. It's partially frozen, with very depressed housing activity. For example, the mortgage application and existing home sales has been very much in doldrums for a couple of years. And due to the fact that it's both because of lock-in effect and also lock-out effect. So, for the lock-in effect is because existing homeowners, they lock in very low mortgage rate in the low mid-3%, whereas the ongoing current mortgage rate is close to 7%. And then for the lockout is because the home affordability has become so bad that most of the first-time homebuyers, they are locked out. So, with that being the case, the housing price has been really, really resilient. And household balance sheets, just as Kevin said, it's very healthy. The household net worth is about seven times of their disposable income. So, that all bodes well for housing market going forward. And I can see that mortgage rates already lowered from close to 8% last year to about like close to 7% now. So, that 100-basis point rally in mortgage rate is extremely helpful for existing home sales to gradually rebound. And also new home sales as a share of total home sales has been climbing up because the lenders, the builders they can offer mortgage rate buydown to incentivize people to buy homes. So, there is really some pent-up housing demand that can support housing market going forward. And the majority of mortgage rates in US is fixed rate. So, this is tremendously advantageous compared to other developed housing markets. And the millennials, they are starting to form households. So, that's very bullish.

Katie Klingensmith [00:08:49] So, that definitely feels like a pretty sanguine outlook still, even with mortgage rates still relatively high and a pretty illiquid real estate market. But you guys have found quite a few opportunities in the residential MBS and the credit risk transfers. Correct?

Tracy Chen [00:09:06] Let me start with agency RMBS first. So, to be clear, agency RMBS is a rate product. It's not a credit product. The reason is because it's guaranteed by government. So, they have Ginnie Mae, Fannie Mae, and Freddie Mac. There's no credit risk. And then, ever since last year, we have been seeing the valuation has gotten to a very cheap level. The reason is because the biggest buyer, Fed and banks, they are pretty much out of the market due to the QT and due to the banks' regulation. And then, there is a very heightened interest rate volatility. Because we know Treasury rate, we know the very aggressive Fed's hike. So, the very heightened rate volatility is extremely unfavorable to the mortgage market because for mortgages you are basically selling the vol, right. You're selling the default option and also prepayment option. So, the spread of mortgages to Treasury has gotten to two standard deviations cheap last year. And now it kind of compressed to close to fair value. But it's still very, very attractive, both compared to its historical level and also compared to IG corporate. And fundamental is great. The reason I say that is because more than [00:10:24]99% [0.0s] of borrowers, they are out of money to refi. That's the lock-in effect I just alluded to. So, the negative convexity that is notorious for mortgage-backed securities now becomes the least negative in its history. So, it's almost close to zero. But with the Fed embarking on the interest rate cut cycle, I think the interest rate volatility should decrease, and that should boost MBS valuation. So that is why. The other thing we want to see is banks. They should be gradually coming back to the MBS market. Then I can talk about the CRT. So CRT is shortened term for credit risk transfer. There are several favorable fundamental and technical factors that should work well for the CRT market. The first is it's floating-rate instrument. It has a very handsome coupon carry, and it's a great hedge for rate selloff. At the same time, the underlying mortgage loans are fixed rate. And then, they also have tender upside. So, for the past two years, Fannie and Freddie, they are starting to tender the bonds back because they don't think it's economical to have them outstanding. And then, the credit rating upside is another favorable factor. We have been seeing continuous credit rating upgrade. And then, last but not least, they have negative net supply. So, this year we are going to see about $10 billion supply. But they have been paying down and delevering very, very fast.

So, every time there's a new issue, they are multiple times oversubscribed. So, we really like this sector, and it's performing great. Delinquency rate is de minimus.

Katie Klingensmith [00:12:16] I think that you have a contrasting view for commercial mortgage-backed securities. Help us understand what the concerns are there.

Tracy Chen [00:12:25] Sure. Commercial real estate market has been the epicenter of this interest rate, very interest rate sensitive sector, which has been performing very badly for the past several years. Also due to COVID, people's lifestyle changes when they start to work from home, and then you have the excess supply of offices. So, it's like the perfect storm, right? But in terms of the fundamentals in the office space, I would say CMBS is not all about offices. There are very diversified property types in the CMBS market, like multifamily, retail, hotel, industrial, self-storage, all those kind of cool properties. And each properties sector has its own idiosyncratic characteristics. So, we do think the reckoning of excess supply in the office sector will take multiple years. And when you invest in the CMBS, you will have headline risk, right, on a daily basis. And, also the cap rate is not cheap. When you look at the cap rate, the spread between cap rate and Treasury has been narrowing. It should be widening. So, I think there is definitely price adjustment. And some of the private equities, private credit, they haven't marked their properties to market. So, I don't blame them because there's not many transactions. There is not enough price transparency in the market. So, I think there are a lot of negative market sentiment on the office sector, and price assumptions has been really draconian. It has been turning very, very pessimistic in the CMBS market. If the outcome for those loans turns out to be less bad, I think the market should rally hard. And also this is the most levered, the most interest rate sensitive sector, probably in the entire credit market. And also the underlying fundamental is a slow burn. It takes years to work out. So, I don't see a sudden freeze or a sudden squeeze in the market that can generate systemic risk. So, I think there are plenty of opportunities in the CMBS market, even though I don't think the fundamental bottomed yet.

Katie Klingensmith [00:14:51] Within commercial mortgage-backed securities and across different sectors within the securitized space, and John mentioned before that there were tight spreads in high yield. Kevin, you often have a multi-sector hat on. How do you even think about comparing all of these different dynamics right now?

Kevin O'Neil [00:15:07] So, when I think about the different opportunities sets across fixed income, sometimes it becomes a fight for capital where there's a lot of great investments at the same time. So, it's trying to incorporate Tracy's ideas with, you know, John and his team's high yield ideas. And there's not a lack of opportunity. I think what we've been rotating out of, especially given kind of the strength that we've seen at the end of last year, was maybe out of IG, where you're seeing very tight spread and then limited upside from there, into some of these opportunities that, Tracy, you're speaking of. So, it's really about the rotation and the relative value across sectors.

Katie Klingensmith [00:15:44] Yeah, that's fair. Especially in this period of time where there actually are some interesting yields to be found, being really dynamic. So, John, I know it's not all peachy. And there are also areas of stress. Are there places where you're worried right now in credit markets?

John McClain [00:16:01] So, I think we're in stage one of a three-stage cycle in private credit, which is covenant relief. We're seeing a lot of covenant relief going on right now. Stage two is loan modification. That's probably 12 months from now. And then stage three is the ultimate defaults, distressed exchanges. So, I have some concerns there. Certainly, I have more concerns in the floating-rate market generically relative to fixed-rate market. The analogy I would say is floating-rate borrowers got a 5/1 ARM, you know, pre-GFC. And fixed-rate borrowers in investment grade and high yield borrowed long and strong in '20 and '21. So, they got a 3% mortgage in 2020. And the home price went up 30% from there. So, we really have a bifurcated market between haves and have nots. So, if you're an investment grade company, borrowing fixed rate, there's plenty capital to be had at reasonably attractive levels based on spread. Floating rate, different, dynamic. Triple C, different dynamic. There are certainly sectors that give me pause. And it's been the ones that we've highlighted for a long time, TMT and healthcare. Challenges around the predictability of cash flow, size of cash flow. I think what we've seen is private equity, the roll-up model in healthcare can have real problems. We've got reimbursement issues. We've got issues around staffing. Those haven't gone away. So, there are areas certainly to be worried about in the marketplace. And we've shied away from most of this. To Kevin's point earlier about looking across asset classes, looking for opportunity, when valuations get stretched, we take the Hippocratic Oath and say do no harm in the portfolio. So it's, you know, it's kind of a more boring time in our market where you're paid to be patient. So, we're supposed to shorten duration a little bit, improve credit quality where we can, and find the unique bond structures that will hold up in up and down types of markets.

Kevin O'Neil [00:18:05] I just want to add to the John's kind of comments there, because he talked about maybe some of the largest stressor where private equity, especially when it's considered health care. So, you know, some of these guys were the strongest performers at the end of the year because of this premise that all of a sudden, the Fed is going to cut aggressively. And they bide their time enough that the Fed is going to save them. Whether that comes to fruition remains to be seen. But that was, I think, the biggest driver because those were the outperformance. Everyone did well, but those guys really did well with the "Where we bought our time. Now we may make it into the clear."

Katie Klingensmith [00:18:44] Well, and I was going to ask something very similar, but perhaps a little bit more about quantitative easing in general. To what extent was private credit and potentially some other less transparent markets, really, did they grow tremendously because of the ample liquidity over the last couple of years, and those become the forces of stress? I know there's the interest rate conversation, Kevin. And then maybe also just the abundance of liquidity that's now going away.

Kevin O'Neil [00:19:11] Yeah, I think that that played a huge part of it. When you think about generating investments, the first thing that comes to mind is like, well, can I generate sufficient profitability to make this return? And when you're comparing that to a zero-rate environment, those opportunities are vast. And tons of capital are going into this industry having to put to work. We haven't seen how that or, you know, that sector has really functioned when times get hard. And to John's point, we're still somewhat in these early stages. And so, a lot of transparency is still not out there. So, it's almost like a wait and see. But we're certainly mindful of it. And you know, you have to be more aware.

Katie Klingensmith [00:19:59] Kevin, I'm curious in this context, I know that you've been following recent issuance trends, especially with some concerns about some liquidity walls that are coming up in the credit space. What are you seeing?

Kevin O'Neil [00:20:09] So, I think this speaks to John's point in terms of the strong issuance, especially in the IG. We just had January break a record of all time insurance for the IG market compared to other Januaries, with, I think, close to almost $200 billion. And to me, what's more highlighting that was not around maybe the maturity walls but really the demand for capital. If you look at, kind of, one measure of demand, which is basically new issue concession, the average concession with that huge supply was just around 3.5%. Just to put that into context, last year's average concession over was about 8 to 9 basis points. So, not only is there huge issuance, but there's strong demand from the investment community now that the Fed is done, we've seen peak rates, or that's at least the context that the market is trading on right now.

Katie Klingensmith [00:21:07] Absolutely. And I mean, John, how's issuance looking from your perspective?

John McClain [00:21:11] Yeah. High yield's back open again, too. And we're seeing really strong issuance. We're seeing strong demand. I think there's a number of technicals in the marketplace with an asset class that has shrunk quite meaningfully over the past few years, due to a lack of issuance and a lot of rising stars. And we continue to see rising stars, particularly in the energy sector. So, I think there's a lot of demand for energy paper, given the quality of balance sheets that we're seeing there. You know, we would anticipate that demand is going to continue to be there. We're going to see higher issuance, obviously, than 2023. Nowhere near what we saw in '20 and '21. But again, if you're a reasonable quality and reasonable size, you're not triple C-rated, the market is really open. Strong financial conditions, you know, are available to borrowers. And, you know, I would anticipate that one of the key trends that we're going to see is private credit deals get refinanced out into the broadly syndicated market, whether that's bonds or loans. I think we're also going to see more floating-rate paper get put into the fixed-rate market. So meaning, high yield bonds are going to take share from leveraged loans. And so what that does is create more seniority, more secured paper in the high yield asset class. So, the credit quality continues to be quite strong.

Katie Klingensmith [00:22:32] Tracy, I want to bring you into this from a securitized perspective. What are the liquidity and issuance dynamics, and do you have any broad comments around the shape of the curve and the convexity opportunities in the securitized space?

Tracy Chen [00:22:47] Katie, that's a good question. So, for the securitized world, I think the issuance is a little better than last year for the month of January. But overall, I see the net supply of different sectors, they are very de minimis. So for example, I see, when I add up non-agency RMBS, non-agency CMBS, ABS, and CLO for the past year, it's less than $100 billion. That's the total net supply. So, you can see the issuance really dwindled quite a lot. And even in the agency RMBS, because of the higher mortgage rate and the lower transaction or turnover, even the net supply for the agency RMBS, it's a little over, like $300 billion. That's all. So, I would say that's a great market technical for the securitized space. In terms of the credit curve, I think ever since the Fed pivot last year, credit curve flattened quite a lot. And hence, you see, the lower down the capital structure, the better performance. And even in the CRT space. But overall, I still favor higher-yielding, floating-rate bonds. The reason is because we are still in the higher-for-longer market environment. I think higher-yielding floaters should do well or even short-duration bonds, like the subprime ABS. Subprime ABS also experienced the similar headline risk, like the CMBS, because people they love to write about subprime borrowers' squeeze and delinquency blowup, things like that. But if you take a closer look, there are a lot of favorable things working for the subprime ABS. First, the structure of the deal is very favorable. It's a very short duration. Like, ABS is viewed as a safe haven in the entire structured credit market. Auto ABS is the lion's share of the issuance market. Usually, it makes up about over half of the securitized market in terms of issuance. And, so it's, and if you look at the top-tier issuers, they have been through all kinds of recessions in their history. The cheap valuations for the subprime auto ABS, if you look at compared to its own history, it's still much wider than pre-COVID time period. There is not a lot of asset class that still trade wider, in terms of spread, compared to pre-COVID time period. And if you compare those to corporate financial bonds of equivalent rating, it's a lot cheaper as well. And then, the deals delever very, very fast. And the credit enhancement for lower tranches, they start to build up. And they charge a high borrowing rate on those subprime borrowers. Hence, you have a very thick excess spread, that's another form of credit support. At the same time, as Kevin mentioned, the consumer balance sheet is very healthy. It's broad based. It's not just for the higher cohort, the richer cohort of the consumer space, but also the lower cohort as well. They also benefit from asset inflation. And at the same time, the used car price, even though it slowed down in terms of price appreciation, but it's still much higher than pre-COVID. So, that also bodes well for the recovery rate, even when a subprime loan defaults. So overall, I think, my least favorite sector for now probably is the CLO. The reason I say that, is if you compare CLO versus CRT, you can get equivalent yield in the CRT space, but the fundamental of housing is probably better than the fundamental of leveraged loan due to better underwriting standards. And also, if you look at CRT on an ongoing basis, you see a rating upgrade. But in the leveraged loan space, the downgrade to upgrade ratio is continuing to go higher. And, the debt extend rate, also going up. And the recovery rate, you just don't want to mention that. Because of the cov-lite nature, the recovery rate is going lower and lower. So, CLO is a floating-rate instrument. I should like it. But at the same time, it's backed by floating-rate loans as well. So that, I don't like it because the higher interest rate will continue to work through the system. And leveraged loans should have a harder time than the fixed-rate mortgage loans. So, that's why we are still cautious on the CLO space. But with that being said, I still see some attractive opportunity in the middle market sale because it's a lot cheaper.

Katie Klingensmith [00:27:41] So, I think like all of these opportunities, they’re very much a top down and a bottom up, and a lot of heterogeneity. Just before we transition, very quickly, Kevin, I know all of you are looking at global opportunities. Is there anything really different about how you're assessing those opportunities outside of the US?

Kevin O'Neil [00:28:01] Yes. I mean, look, Brandywine Global--it's in the name. Right? So, we have a global perspective when we're looking for investment opportunities. What I think is different, especially when we're looking at credits within different domiciles, is really incorporating the risk of the country itself, which we look at it from a sovereign standpoint. We still do the bottom-up fundamental work, but then we add an additional layer of domicile risk, which sometimes is substantial. Sometimes it's not. So, there's not really some region that we feel, maybe EM local Latam is still an opportunity set, but really, it's about our approach of almost top-down combining with the bottom-up on a global nature.

Katie Klingensmith [00:28:45] Right. So, there's always going to be a nuanced discussion about the corporate and sovereign opportunities. I want to bring this to a wrap. But before I ask you all to summarize what you're seeing in the year ahead, I want to put John on the spot a little bit. For better or for worse, we're already spending a lot of time in the US trying to understand the economic and the market implications of this year's, end of the year's election. What is priced in already and what might get priced in around the US election this year?

John McClain [00:29:21] Thanks, Katie. Yeah. I mean, it's tough, right? Because we do have a long time before the election. But what I would say is, there's a couple things to keep in mind from an investing standpoint. One, I don't think really anything's priced in at this point in time. The Fed's going to be politicized for how they act. I think that's probably wrong. But the timing and size of cuts is definitely going to impact who gets elected. I think that investors should be very cognizant about buying risk into Election Day, irrespective of the outcome. Markets hate uncertainty. And once you remove that uncertainty, what we've seen over the last three elections has been a decline in equity vol, irrespective of equities going up or down, decline in equity vol. So, again it's buying risk into the election cycle. And when to do that, right? That's the tricky point, too. What we've observed, going back and looking historically, is it's about 20 days before the election where you want to start thinking about buying risk. Given how quick information moves and how volatile things can get, it might be a shorter lag time here. But we would really say that none of this is priced in at the moment.

Katie Klingensmith [00:30:34] So, I want to stick with you because you just said that we have to watch elections, but they're not in there yet. What do you think are the other themes that are really going to dominate the opportunity space in high yield this year?

John McClain [00:30:46] Well, as we kind of talked about before, valuations are stretched. And so, it does not take a lot of bad news, combined with very tight valuations, to get things moving wider. So, I think we're looking for some bouts of volatility in the marketplace. But, you know, I'd love to say that I think that this is going to be a gangbuster year in terms of returns or, there's going to be some black swan type of event that will lead to a market crash. I don't think either is really going to happen this year. I think what we're going to have is a lot of angst around a number of situations. There's a lot of gray rhinos, not black swans out there, that we've touched upon in this podcast here. But I think we're going to have unspectacular returns. But relative to the rest of fixed income, the carry is still interesting here. So, I think really, again, it goes back to what I've highlighted before: paid to be patient, wait, stick, and move. Wait for opportunities and as they present themselves, deploy capital aggressively into them.

Katie Klingensmith [00:31:52] So, total return, patience, expectations--definitely, you've got to be active. Tracy, let me ask you the same question. With your lens looking at securitized credit, where do you think we'll see the most interesting opportunities and the big themes this year?

Tracy Chen [00:32:09] I think we still like agency MBS because it has the least negative convexity in its history. And we like CRT bonds because it has also the great convexity story because most of the bonds have very high coupon because of the floating benchmark is softer and plus like 400, 500 you get very fat coupon, almost double-digit coupon. But at the same time, the underlying, they prepay very slowly because of the lock-in effect. Right? So, the IO part of the valuation is still very, very attractive. So, it has I would say the least negative convexity as well. And subprime auto and CMBS triple B, they have positive convexity because they are all trading at a discount. So, those are the sectors that I favor.

Katie Klingensmith [00:33:00] Let me end with you, Kevin, and hear your expectations for the big themes from a multi-sector perspective this year.

Kevin O'Neil [00:33:07] So, I think it's important to kind of take a step back and think about if we would have had this discussion a year ago, a lot of investors may have been on this call saying: "I forecast a recession this year. You know, there's a high probability." Let's move forward to right now, the market is pricing in a high probability of a soft landing, and rightfully so. Right? the numbers have justified some of that positioning. But what makes me feel uncomfortable as an investor is that that upside is very much limited. It's priced in the spreads, it's priced in equities. I'm an equity guy, but you can see that on the valuations. And so, where do I see there's best value? It's maybe taking the other side of that trade. Not calling for a hard landing, but maybe taking advantage of opportunities where it's not priced in. And so that's what I'm really looking for. It's been said many times, be patient. Opportunities will come because so many investors are, kind of, all on the same page at the moment.

Katie Klingensmith [00:34:08] I really feel like there's a lot of themes that have come through from your three different perspectives, especially around being highly selective. So, while this year may not have the same direction and has a lot more different kinds of risks out there--being patient, being nimble, being bottom up, looking at valuations--are all going to be what's essential to finding those opportunities in 2024. Thank you so much, Kevin O'Neil, Tracy Chen, John McClain, for joining Brandywine Around the Curve credit roundtable discussion.