



Credit Unbound: Capitalizing on a Shifting Opportunity Set

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Part IV – Axar’s Experience, Strategy and Edge in Today’s Credit Market

In this Insight Series, we’re sharing a short series of perspectives on the evolving opportunistic credit landscape and how it is shaping today’s investment opportunity set. In this fourth and final piece, we make the case that a compelling investment opportunity has arrived and describe why Axar is positioned to take advantage of this deep, persistent and actionable opportunity set in middle market credit.

Navigating Today's Market Landscape

In this final installment of our *Credit Unbound* series, we reflect on the evolving credit landscape and its implications for institutional investors. The U.S. middle market is undergoing one of its most significant transitions in decades. Years of easy money monetary policy, which reached its peak during the COVID era of 2020-2022, coupled with aggressive direct lenders and a very active private equity deployment cycle, resulted in excess borrowing that has left many companies structurally over leveraged. Excess leverage and higher financing costs are fostering an attractive pipeline of investment opportunities for disciplined investors with an opportunistic credit mandate.

These dynamics are unfolding as competition has retreated from the middle market segment of the distressed credit market and is the weakest in memory (as described in detail in Part II of our Insight Series). This market imbalance, amid the compelling pipeline of overleveraged companies, is creating a unique investment environment for investors with the right experience, structure, and long-term capital base. We expect this to persist for several years.

Axar's DNA is rooted in opportunistic credit. Since inception, we have focused on complex, misunderstood middle market credits that require comprehensive underwriting, structuring / process proficiency, and active involvement. With a middle market universe of 100,000+ companies and over 15,000+ sponsor-backed companies that have been held for 5 years or longer, Axar has been able to identify compelling opportunities catalyzed by business & capacity cycles, regulatory changes, sponsor behavior, and management missteps. Our strategy is grounded in a disciplined approach that we have applied across multiple market environments.

Axar's advantage lies not in timing markets, but in the discipline and structure of our investment process. We prosecute our strategy through four key pillars:

I. Focus & Pattern Recognition: Axar concentrates on our core sectors, including financial services, business services, energy infrastructure, and consumer and media. In these sectors we have made numerous successful investments over the past decade, which has enabled us to develop a deep understanding of the macro and micro forces that drive the performance of these companies across business cycles. Our company-specific research and selection process evaluates drivers and risks at multiple levels: company, structural, and industry. We integrate patterns observed across the industry directly into our assessment of an investment opportunity. Our continued activity in these core sectors has allowed us to position ourselves in the credit market, both with the financial advisory community (e.g., investment banks and restructuring advisors) and also strategic operating partners. In addition to identifying attractive idiosyncratic opportunities, Axar has navigated multiple market disruptions since our founding in 2015, including the 2016 energy downturn, the COVID recession, and the 2022 tightening shock. This cycle-tested process, combined with rigorous underwriting, deep diligence, and structuring expertise, allows us to recognize idiosyncratic dislocations and initiate selected new investments prudently.

II. Structural Flexibility & Time Arbitrage: Our patient, flexible capital allows us to remain disciplined at moments of peak volatility (whether market driven or issuer driven) and expand positions only as conviction strengthens. Axar's investment process normally involves building a position gradually over 18-24 months. In many cases, early access to opportunities provides critical visibility into risks before large amounts of capital is deployed. This phase-in approach serves as a risk filter, enabling us to assess whether an opportunity aligns with our underwriting objectives and risk/reward expectations. Close involvement with portfolio companies, achieved

through process influence, structured governance rights and board participation, provides insights and protections unavailable to most passive investors. In addition, later in the lifecycle of our investments, when, in our view, the risk profile has substantially declined due to our active involvement, additional opportunities (including co-investment) may arise that allow us to further scale into our highest-conviction ideas, often at prices still reflecting the original risk profile.

III. Disciplined Process & Robust Pipeline: Since inception, Axar has researched over 1,000 companies across our four core sectors, conducting deeper diligence and underwriting when we identify opportunities with meaningful potential. We actively monitor these situations over time and are positioned to move quickly if conditions change, price declines or a new investment angle develops. In addition to our legacy inventory of opportunities, we actively cultivate a live pipeline of new secondary securities and multiple private transactions that may meet our defined investment criteria.

This steady flow of new opportunities, also supported by the network of our relationships, reputation, and portfolio companies, provides consistent deal flow across cycles. Because we have researched and tracked these sectors and many of these credits over many years, we can move decisively when debt becomes distressed, acting with speed and conviction while maintaining the rigor of our underwriting and structuring framework.

We strongly believe in the mantras that “high yield issuers do not pay off debt, they merely refinance” and “history often rhymes.” We monitor and are focused on the single largest market (by company count), the middle market, allowing us to act only on the most compelling opportunities. Our advantage lies not in market timing, but in a repeatable process, refined

over more than a decade, that converts idiosyncratic dislocation into durable alpha, independent of macro conditions.

IV. Active Involvement & Value Creation: In our core positions, we seek to actively engage as board members, creditor committee participants, and hands-on partners with management, positively influencing outcomes. This strategy is in stark contrast to the majority of investors in fixed income, which are passive by nature, and lack the team resources, tools, experience or financial incentives to compete alongside Axar. Our hands-on operational oversight, from recruiting CEOs to directing capital allocation and executing restructurings, aims to create value beyond what financial engineering alone could achieve. This approach has been applied successfully in investments such as Everstory Partners and J.G. Wentworth, where Axar’s direct involvement supported operational and strategic changes that dramatically repositioned these businesses following periods of distress.

Four Pillars: Compounding Advantages

By integrating focus, flexibility, discipline, and active involvement, Axar has built a framework that turns market inefficiencies, described in detail in Parts I – III of this Insight Series, into investor advantage. Each pillar reinforces the others: sector focus strengthens underwriting judgment; flexible capital enhances governance and influence; disciplined processes ensure scalability with risk management; and active involvement maximizes value creation. Together, these capabilities support a strategy built to pursue equity-like returns while aiming to limit downside risk and remain resilient across different market conditions.

Strategy in Action: Proof Points

The Axar approach generates tangible results through active involvement, turnaround experience and operational leadership. Everstory Partners and J.G.

Wentworth are two instructive examples of the successful implementation of the Axar playbook.

Everstory Partners: Everstory Partners demonstrates how Axar converted a complex, public-market orphan into a robust private and growing platform. Sector insight and a close situation monitoring enabled debt-led entry and recapitalization. Flexible capital bridged a COVID-era dislocation to a 2022 take-private, after which our hands-on governance, leadership reset (recruiting & hiring of the new CEO), strategic M&A, and digital rollout were all critical initiatives that set the company on a path of transformational improvement. The digital rollout has generated efficiencies across the company, transforming it so that pricing decisions, back-office work, and sales processes are driving profitability. These efforts by Axar and strategic focus by the company have improved cash flow and operational performance over several years, taking the company from negative unlevered free cash flow in 2019 to a clear path of sustained growth today. This outcome was made possible by identifying an attractive and misunderstood industry, understanding the levers for driving value, and taking an active role in the turnaround effort.

J.G. Wentworth: Axar acquired JGW's debt at distressed levels, led its prepackaged bankruptcy and consolidated its ownership above 90% as non-core legacy lenders exited. Axar successfully arranged the sale of non-core assets within the first year, returning approximately 50% of the cost basis to our funds, materially de-risking the investment. By reinstating proven leadership, restoring profitability, recognizing the inherent platform potential from the brand (with 75% national brand awareness) and launching a fast-growing debt resolution business, we transformed a mismanaged distressed company into a diversified, profitable consumer financial products platform. This was demonstrated by the recovery of the structured settlement business, which had reached a historic low in 2017 before Axar assumed control and restored it to prior levels. Moreover, JGW has become a top 5 player in the debt resolution business, a

business segment that has been growing in excess of 100% annually, driving significant profitability for the company. This outcome was made possible by disciplined underwriting, financial expertise to understand the unappreciated value on a highly complex balance sheet, patience, and active involvement.

Both investments illustrate the power of Axar's investment philosophy and execution strategy in practice. Sector focus and active pipeline tracking enabled early pattern recognition of opportunity; comprehensive underwriting and structural flexibility allowed us to scale with conviction; disciplined processes guided execution; and active involvement created enduring value. These case studies demonstrate how Axar converts complex situations into asymmetric outcomes for our investors.

The Institutional Case for Axar

Axar gives institutional investors access to an underfollowed area of the middle market that, after a period of rapid growth and heavy leverage, is facing dislocation and ongoing opportunity driven by structural inefficiencies and limited competition. Our disciplined risk management, flexible capital base, and active involvement allow us to deliver asymmetric returns that complement direct lending and private equity portfolios.

Axar combines deep sector focus, a decade of cycle-tested judgment, and a willingness to engage directly at the company level. In a market where capital providers are retrenching and complexity deters competition, Axar seeks to offer institutions a scarce opportunity for durable alpha.

Our framework is designed not for chasing fleeting trades, but for systematically compounding value, through disciplined underwriting, patient capital deployment, and active involvement, across cycles and investment environments.

Conclusion

As structural inefficiencies deepen (as large alternatives firms continue to grow rapidly) and middle market dislocations multiply, we believe Axar is uniquely positioned to capitalize on them.

Our background demonstrates that we thrive not only in moments of broad dislocation, but also in the everyday complexities of middle market credit. By combining sector expertise, operational involvement, and disciplined underwriting, we are positioned to transform difficult corporate moments into asymmetric returns.

Axar aims to follow a strategy built to pursue equity-like returns while seeking to limit downside through senior credit protections. *Credit Unbound* reflects the significant growth of middle market credit over the past decade and the opportunity this expansion presents, one that Axar is well positioned to address.

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