

The Insight: Conversations – Reflections on Oaktree Conference 2026 with Howard Marks

Harry Whitelaw

Hello, and welcome to *The Insight by Oaktree Capital*. I'm Harry Whitelaw, and today we have a special episode featuring Oaktree co-founder, Howard Marks. We'll be taking you inside Oaktree Conference 2026, playing some exclusive clips from our recent event and getting Howard's takes along the way. Howard, great to have you here.

Howard Marks

Nice to be here with you, Harry.

Harry

So Howard, we held our client conference early this month. Can you tell us a bit more about the setting for this conversation?

Howard

Well, for the 30 years since we were founded, we've been holding a conference for investors every two years. This year, the conference took place in early March in Southern California. It was very well-attended, and I was very proud of the work of my colleagues in explaining what we do. The real purpose is not to report data. The real purpose is to help the clients understand how we think and how we do our work. And I think we really accomplished that goal. I look forward to a chance to comment on the clips that you have selected so well, Harry.

Harry

Fantastic. Well, let's get started with Oaktree's co-CEO, Armen Panossian, speaking about the evolution of the private and liquid credit markets.

Armen Panossian

Another theme that I'd like to talk about is evolution, the evolution of the markets. In the '70s and '80s, if you invested in corporate debt, you were buying investment grade bonds. Everything else was considered uninvestible. It was called junk, in fact. But today there's high yield bonds, there's senior loans, there's different types of securitized products, CLOs, CMBS, and distressed credit. Similar evolution is taking place in private credit. Private credit before the Global Financial Crisis was really direct lending that was junior, so in this case mezzanine, that sat behind either a syndicated bank loan or a private bank loan that was held by a consortium of banks. After the GFC, we saw the evolution of direct lending go from mezzanine to first lien as the banks stepped back from their lending activities. And over time, over the last 15 or so years, we've seen an expansion in a variety of other areas of private credit. We're really excited about these areas.

Harry

Well, Howard, you're a good guide for us here as you are a witness and indeed participant in the evolution that Armen talks about. Do you recall investors' initial aversion to the likes of high-yield bonds and distressed credit?

Howard

Sure, Harry. As you say, what Armen recounts is really the timeline of my involvement in the investment management. And when I joined it in 1969 at First National Citibank in the equity research department, as Armen says, companies lacking an investment-grade rating, that is to say not AAA, AA, single A, or triple B, virtually could not borrow in the public bond market.

I moved to the bond department at Citi in 1978 to manage a convertible bond portfolio. And in August of '78, I got the phone call that changed my life from the head of the bond department. He said, "There's some guy named Milken or something in California, and he deals in something called high yield bonds. Do you think you can figure out what that means?" And I was smart enough to say yes. And of course, that was the seed for everything that Oaktree and I have done since. Mike Milken's idea was that if a company offers enough interest, even though its bonds have some probability of default, people should be able to buy them and hold them in a suitably diversified portfolio.

So that's what I started doing in '78. I think the high yield bond fund we organized was the first one from a mainstream finance institution. As Armen describes, Wall Street is a very innovative place. It's constantly innovating new ways to raise money for companies and new products to sell to investors.

Wall Street innovated something called the broadly syndicated loan in the 1990s. The lending that banks used to do and syndicate to one or two other banks, Wall Street started to do and syndicate to dozens or maybe hundreds of institutional lenders. That was a great broadening of the sub-investment grade market. Sub-investment grade companies used to borrow from banks and insurance companies with what were called mezzanine loans, which are subordinated credits that also carried some equity. We started to get involved in those in '01.

The next big step, and the one Armen's talking about, came in, he says 15 years ago. In 2011, the banks reduced in scope and chastened and regulated because of the global financial crisis, kind of were reticent or unable to lend enough money to meet the full demands of the private equity industry. And so-called non-bank lenders stepped in to make the loans that the banks weren't making, and that has grown now into a trillion and a half dollar market. Direct lending along with asset backed and mezzanine and some other things together constitute private credit, but direct lending loans for mid-sized buyouts were the biggest sector, the fastest growing sector, and happened to be the site of all the indigestion that's taking place at the present time.

Harry

Yeah, I was going to make the point that as these asset classes become more mainstream, direct lending is now very mainstream, very competitive. The ability to generate alpha gets a lot harder than the early days, right? And I think that's why you see people interested in something a little bit more complex, the likes of asset-backed finance, distressed credit.

Howard

Well, in the beginning, and this is absolutely a standard cycle, in the beginning, there were a few people who would make direct loans and a lot of people who wanted to borrow money. And when there's an imbalance of demand for money over supply of money, the people who will offer the money can demand high rates of return and very good safety. And that was what was available at the beginning of the direct lending era, as I say, around 2011. But then people see that it works. People with money clamor to put it into the direct lending market. More managers join the direct lending market. And as the incremental capital and the incremental players get active, they compete to make deals. And the competition to make deals in the lending market takes the form of reduced demand for interest rates and reduced demand for safety through strong documentation and protective terms.

And that took place in direct lending, as is normal and as should be expected. And I would say that as of a year or so, maybe two years ago, direct lending was, as you say... You used the term alpha... it was no longer special. The returns available in direct lending, I think were adequate, but nothing more. What Oaktree and I and my colleagues want to find are returns that are higher than is appropriate for the risk involved, so-called excess returns. And I think that in the last year or so, excess returns disappeared from direct lending. Direct lending was fine. It was fair. You got 100 or 125 basis points of incremental interest over public credit, but that's adequate, but it's not a lush liquidity premium.

Harry

So, we now have a very broad spectrum of credit, both liquid and private. And with that, I want to bring in Danielle Poli, co-portfolio manager for our global credit strategy, speaking about constructing multi-asset portfolios.

Danielle Poli

Whether it's liquid or private or a combination of both, when we're constructing multi-strategy credit portfolios, we're doing it with the objective of income and return with risk under control. And we're striving to do that in two key ways. The first is through credit selection. That's based on our bottom-up fundamental research, and the second is through asset allocation. That's dynamically deploying capital across credit strategies based on our assessment of relative value.

Harry

So, Howard, I think Danielle touches on another enduring theme in the markets, and that's clients wanting a multi-asset solution rather than just an individual product off the shelf. How do you think about combining multiple asset classes in a single portfolio?

Howard

Well, eight or so years ago, Bruce Karsh had the idea of taking our liquid credit strategies and combining them into one product. We combined U.S. high yield, European high yield, U.S. senior loans, European senior loans, convertibles, emerging market debt, real estate debt, and structured credit.

So, I think, as you say, Harry, that the investment industry is moving into a phase where less and less we sell one product at a time, and more and more we combine products into solutions and deliver solutions to clients.

We're trying to meet investors' needs in ways that will have a high probability of delivering the return they are after. I think this is a very valid approach. And of course, given the fact that we've been in non-investment grade credit for 48 years, I think we have the most experience and a very diverse lineup of strategies. And I think we can do the job for the clients who want that job done.

Harry

And on the point about blending liquid and private credit, I think we think these should be really viewed as compliments. Some people see it as a very binary liquid credit or private credit. I think we see the value of actually combining the both of them to optimize for where you want to get to as an investor.

Howard

Well, I think that's right. In all my years in the investment business, every once in a while, a certain product gets kind of knighted, anointed, the solution du jour. And in the last, let's say, 10 years, that's been private credit. And I wrote a memo a year ago called *Gimme Credit*. And I said in there that at a given point in time, most of the people asked me one or two questions. The question they've been asking at that point for the last few months was, "Let's talk about private credit." And I would say, "Let's talk about credit."

Why do you skip all the way from zero to private credit, glossing over public credit, which can help provide the solution? So, we advocate a balance between the two. Private credit, if well selected, should give you a higher rate of return if everything goes well, but public credit might give you a lower rate of return for a given level of creditworthiness, but it also provides liquidity and the ability to restructure the portfolio and exclude a name where you change your mind. And that's valuable too. We advocate balance.

Harry

We mentioned briefly the topic of alpha and excess returns earlier. Now we have a clip from one of my favorite segments from the conference, Steve Tesoriere, PM for value opportunities, talking about mispricings in the credit markets.

Steve Tesoriere

Howard likes to say that mistakes cause mispricings. In other words, emotion and misinformation create these mispricings. We're looking for these moments of misunderstanding to buy assets. I've listed here on screen some elements of mispricings. First, value obscurity. This is situations where the assets might be off balance sheet, that might be hard to value. The company may lack or have messy disclosure. The second example would be a lack of buyers. There might be man-date limited buyers or institutional biases against certain assets or asset classes. You might have assets that are difficult to source. Motivated sellers can also cause mispricing, either time pressure or liquidity pressured selling. Sometimes assets are just misunderstood. The situation is too complex or the market's relying on mental models that are outdated. And then finally, technical disconnects. These are related to market plumbing.

Harry

Well, Steve actually references you there, Howard. When we say mispricings equals mistakes or derive from mistakes, what do we actually mean there?

Howard

Well, Steve did a great job of introducing one of my favorite subjects, Harry. Back at our conference in, I'm going to say 2012, Bob O'Leary, who was one of the leading analysts in our distressed debt or what we now call our opportunities group, talked about what he was doing in his fund. Bob is co-CEO of Oaktree. And Bob said essentially what we do is take advantage of the mistakes of others, and that caused me to write a memo shortly after entitled *It's All a Big Mistake*. And this is an important concept that I almost never hear about from others.

There's a school of thought in the investment world that talks about market efficiency, and market efficiency basically means that every security is awarded a price, and if you buy it at that price, you get a fair risk-adjusted return, no more, no less. That's why you can't beat the market in terms of the efficient market hypothesis.

Now, we're not happy with that. We want to get what I described a few minutes ago as excess return. We want to get returns that are more than commensurate with risk. And to do that, you have to buy assets, not at fair prices, but our unfair prices. We want to buy things for less than they're worth. That sounds totally straightforward. It's understandable that that's how we do our job. There's only one catch. It requires cooperation for someone who's willing to sell something for less than it's worth. And who volunteers for that job? We want to buy from sellers who are making mistakes. And a lot of these in the history of Oaktree have also stemmed from people who bought companies and made mistakes. They overestimated the growth potential, overestimated the solidity of the earnings, overestimated the ability to survive or thrive in a negative economic environment, levered up too much, and eventually became distressed as a result. So, it's all about taking advantages of mistakes.

And Steve catalogs some of the reasons why it might be possible to buy a security for less than it's worth. What are some of the sources of the bargains we seek? First, he mentions complexity. People don't understand something and they're a little turned off or scared by its complexity, and we understand that.

Difficult to source. Some of these things are held deep in portfolios in the bowels of institutions, and we have to go find them and get somebody to sell them to us. Supply, demand. There are a lot of people who want to sell something at a given point in time, fewer people want to buy it, that pushes the price down, hopefully to unreasonably low levels where we can pick it up. Misunderstanding, that's related to complexity. And finally, he talks about technical reasons, and technical reasons are, for example, I'll give you a great example.

There was a rule for a while that if a bond was downgraded below investment grade, certain holders had to sell it, which is to say they had to sell it regardless of price. So if there are people on the other side who have to sell something, regardless of price, we're willing to buy it if the price is unreasonably low.

Now, they might not want to sell it if the price is unreasonably low, but the rules require them to do so. That's technical. That works in favor of the bargain hunter. So, when you look for exceptions from the efficient market hypothesis, we want to find them.

Harry

You mentioned that the catch is you need to find somebody on the other side of the trade to make a mistake. I guess the other catch is that Steve makes it sound quite easy, but finding and executing on these mispricings, it's really quite difficult. And that's why you can achieve alpha in the first place.

Howard

Well, they sell things that they think should be sold. And most of the time, absent the technical reasons I just discussed, they sell them at prices they think are fair. You have to be a superior thinker, you might even use my term, second level thinker, to conclude that the price they think is fair and they want to sell at, we think is too low and we want to buy at.

So, you're right. These things have to exist. We have to be able to find them, and then we have to think better than the seller, which is to say we have to take advantage of the seller's mistake.

Harry

Moving on to almost a quite similar example to that, we have Madelaine Jones, head of European Liquid Performing Credit. And she's talking really about not letting favorable sector dynamics make your investment decision for you.

Madelaine Jones

If anything, over the last few years has taught us that sector top-down analysis could lead you into some bad ends of the market. And if anything, healthcare has been one of the main drivers of defaults in Europe. Because everyone loved to lend to healthcare. It was given so much debt, and that has been the curse of it, that in fact it couldn't pass through cost inflation. I prefer to look at balance sheet liquidity, room for maneuvering because our world is changing with AI. All sectors become open to potential disruption.

Harry

So, Howard, I won't ask you to comment specifically on European healthcare dynamics, but Madelaine's statement in short, she's been wary about lending to healthcare companies because everybody else loves to do it. How do you read that?

Howard

Glad you brought this up, Harry. Let's think about what Steve Tesoriere said. The way I would sum it up is that sometimes they hate them too much. When they hate them too much, they get cheap and we want to buy them. And what Madelaine's saying is that sometimes they love them too much, in which case we want to avoid it.

And this is a lesson I learned when I was a kid. When I joined the investment business, 1969, I was 23 years old. And the world loved the Nifty 50, the greatest companies in America. And they paid inordinately high prices for the Nifty 50 because they loved them too much. And if you bought the stocks the day I got to work in '69 and you held them for five years, the greatest companies in America, you lost about 95% of your money.

So, you really want to avoid things that people like too much. And as Madelaine says, that was healthcare in Europe a few years ago. Why? Everybody says, "Well, everybody needs healthcare and it's kind of demand price in elastic. They have to get healthcare and we can combine healthcare companies and accomplish great efficiencies and make a lot of money providing healthcare."

But the lesson I learned from my experience with the Nifty 50 in the '69 was that it's not what you buy, it's what you pay that matters. And there is nothing that's a good idea in the absence of price.

And if you want to be a bargain hunter like we do and get excess returns for our clients like we want to, you can't buy things that are popular. Because if they're popular, they're probably thought too much of and priced too high at a point where they will not give an excess return. They may not even give a fair return. They may give an inadequate return.

So, avoiding things that are looked on with favor is just as important as buying up the things that people are mistakenly selling too cheap.

Harry

When we talk about being loved too much, I think in the equity world, that leads to a p/e multiple, which is higher and higher and higher, and the perspective returns are lower and lower and lower.

In credit, you mentioned earlier, it's sometimes accepting a lower yield spread. But something Madelaine references as well is when a sector's loved, debt investors are willing to give it more and more and more and more leverage.

They like the sector, so they say, "You know what? An extra ton of leverage, just fine." And clearly in some of these cases, that's where the dynamite is, to use a phrase of yours.

Howard

Right. And Harry, the person who owns the company or the company itself is probably prone to accepting taking on higher leverage when people will supply it cheap, and that's what happens when things are in favor. So you mentioned dynamite. I guess it was either late '08 or early '09 when we were really gripping the global financial crisis, which of course happened in part because of excessive leverage. And I put out a memo called leverage plus volatility equals dynamite.

And people like leverage because leverage magnifies financial results. And in Las Vegas, the pit boss says, "The more you bet, the more you win when you win." And you can't argue with that. So, people only buy assets because they think they're attractive. And if they're attractive, they'll make a profit. And if there's a profit, the less of your own money you used, the higher the return on your money. That's why people use leverage.

But it works the other way too. And the more you bet, the more you lose when you lose. And the more leverage you have, the lower the probability is that you can get through a rough patch. And we're always very sensitive to the possibility of a rough patch.

And you go through a period in which there isn't one and from March of '09 until let's say January of '26, there generally were not profound low points. And when good times roll on that long, people forget about the possibility of bad times, and they forget that the more leverage you have, the more exposed you are to negative developments, and now we're having some of those.

So, I think it's very important to understand the climate of the market, understand when lenders are supplying excessive leverage and companies are taking it, and maybe refuse to dance.

Harry

That makes sense. Now we're going to hear something a little bit different from Charles Blackburn, co-head of Europe for our Global Opportunities Group. He's really talking about the importance of installing good leadership in portfolio companies.

Charles Blackburn

We're going to be talking about the nuts and bolts of an operating business, and we're going to talk about leadership. And that definition of leadership that I like to put out there is first, having a vision. Second, having the ability to create a strategy to deliver that vision. And then third, being able to create the culture to allow all of that to grow.

Harry

Well, Howard, of course, you alongside Bruce and your fellow co-founders, founded and led Oaktree before, I guess, empowering the likes of Bob and Armen as our co-CEOs. How do you consider the role of leadership in a company?

Howard

Well, leadership creates culture. And leadership and culture get the most out of the assets. A company has a factory, some machines, some salespeople, some product development people. It owns some copyrights and some trade knowledge and so forth.

The quality of management is what causes those assets to be maximized and causes the company to get the most out of them. And so we're great believers in management. We invest in companies that have good managements. We change company managements when necessary. You're not going to get an optimal result without good management.

Now, Charles leads our data center effort. And we want to participate in AI just like everybody else, but we put a very high priority not on maximizing our gains, but on participating in this new marvel safely so that if there are disappointments, temporary or permanent, we're relatively insulated from them. And as Charles says, this is a judgment call and it has to be made by skilled managers.

And I want to point out one thing because in my memos, I've been harping on my concerns about AI's ability to eliminate jobs, but I don't think AI can be at the very top in terms of getting the most out of the assets of a company. And I don't think that AI can pick the best managers because picking the best managers requires an intuition and a subjective feel that I would be surprised to learn that AI can be very good at. So hopefully selecting better managers for the companies we influence or our own will be one of the ways we continue to contribute to our clients' wellbeing.

Harry

And Charles mentions specifically having a good culture. I know you, Bruce, the other founders, you've always talked about culture as important in the Oaktree context. I'm curious whether you think, can culture impact the value of a business, the bottom line of a business directly?

Howard

Well, absolutely, absolutely. Culture is one of the very important thing that management does. And in some companies, or maybe all companies, you're not going to get the most out of the assets and produce maximum profits dependably without a constructive culture. And I'm very proud of Oaktree's culture. When we started, not only did we lay out our investment philosophy, but the same day, we laid out our business principles in terms of the treatment of clients, the treatment of conflicts of interest, candid communications, the treatment of employees, the desire for non-hierarchical, non-bureaucratic environment.

I think we've gotten enormous benefits from specifying the right culture and then producing it. And I want to add, in addition, that culture, to me, is what makes a company the place you want to work. And Bruce and I and the other founders feel enormously positive about the culture we produced and about the fact that people want to work there, as do we.

Harry

Fantastic. And finally, Howard, we're hearing from you talking about why human nature is the root of market cycles.

Howard

What are the elements that rhyme from cycle to cycle? They are everybody wants to make money. Everyone wants to get rich quick. As a result, they tend to believe ... Charlie Munger used to quote Demosthenes as saying, "For that which a man wishes, that he will believe." So they believe you can get rich quick. They believe you can get rich without taking risk. They get tired of watching other people get rich. The book, *Manias, Panics, and Crashes*, Kindleberger said, "There's nothing so injurious to your mental wellbeing as to watch your friend get rich." So people forget about the risk of losing money and they worry about the fear of missing out. Envy and greed take over, and this is what causes people to get excited at the high and correspondingly depressed on the way down.

Harry

So how would fear and greed, will that ever change as the pendulum of human behavior?

Howard

Well, people ask me that all the time, Harry. And of course, there is always the possibility that if we turn the investment process over to AI, it will suppress greed and fear and become more objective. I think that possibility exists. And I think one of the things we've done for our clients over the years is try to help them dampen the swings of fear and greed. I'll give you a concrete example.

Bruce Karsh and the opportunities team have done a great job of managing our funds. We used to call them distress, now we call them distress, but also opportunistic. They're closed end funds. And when the client commits to the fund because you think there's an opportunity coming, they have to put up the money when we call it. And when the problem actually arises and it scares the bejeebers out of everybody, and nobody wants to put money into anything, our clients are committed to do so.

So the point is that something as simple as closed end structure means that the client has to put up the money in the teeth of the crisis and buy those bargains that the people making mistakes want to dump so badly.

I've thought so much and I've written so much, I have another memo in the works right now, Harry, the tentative title is *Fans and Fancies*. I've thought so much about the influence of human emotion on the investment business, and it is so negative. And I think that, as Charlie Munger and Warren Buffett have demonstrated, to be a great investor, you have to have your emotions under control. You can't get excited when things go well and depressed, when things go poorly, which causes people to buy high and sell low. You have to do the opposite if you can. You have to understand the role of emotion in investing and try to best it rather than it best you.

Harry

And bringing the pendulum to today's market environment, it feels like FOMO has been the winner over fear for quite a long time now. I think a few months ago you termed the tone as shakily optimistic. Is it fair to say that shakiness is a little bit more shaky today than it was when you said that a few months back?

Howard

Well, I think that the warts which get overlooked in the good times come to the fore in the bad times. Buffett says it's only when the tide goes out that we find out who's been swimming naked. In the last few months, the tide has been going out, especially in areas like private credit and we start to see which structures may have been unwise. We actually haven't had many defaults yet, so we haven't had a chance yet to see who made bad loans. That's coming too.

But I think that we were reserved in 2025. We realized that there were some things to worry about and we took that into account. We're ready for shakiness in '26. And I think that when the bloom is off the rose and people start thinking about the negatives and not just the positives, and when they start to reflect risk aversion and not just FOMO, I think we'll get much better buying opportunities in the months ahead than we did in the months just passed.

Harry

Fantastic. So that was our brief tour of Oaktree Conference 2026, hearing from Armen Panossian, Danielle Poli, Steve Tesoriere, Madelaine Jones, Charles Blackburn, and of course Howard Marks. Howard, do you have a concluding thought before we end today's episode?

Howard

Harry, I just want to congratulate you on having picked clips out of the conference that allowed me to talk about some of the very most important things. The fact that we try to buy things for less than worth, the challenge associated with doing that, the role of people liking things too much and hating things too much in producing overpricings and bargains, and the desirability of taking assets and fashioning them into a structure that will hold up over time. So a lot of my favorite themes and Oaktree's favorite themes are reflected in this. I hope people will enjoy this podcast and I look forward to hearing the result.

Harry

We'll end it there. I'm sure you'll all be on the lookout for Howard's next memo. Thank you all for listening in today.