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# GOLUB CAPITAL: THE PRIVATE CREDIT LANDSCAPE

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FLORIDA PUBLIC PENSION TRUSTEE ASSOCIATION – JANUARY 2024

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Certain affiliates of the Registered Advisers are investment advisers registered in reliance upon the Form ADV of GC OPAL Advisors (each, a “Relying Adviser”). As of the date of this report, GC Investment Management LLC and OPAL BSL LLC (Management Series) are Relying Advisers.

For additional information about the Registered Advisers and the Relying Advisers, please refer to each of the Registered Advisers’ Form ADV Part 1 and 2A on file with the SEC.

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# Overview of Golub Capital

## GOLUB CAPITAL

**\$60+ billion**

Capital Under Management<sup>1</sup>

**25+**

Year History

**\$150+ billion**

Loans Originated

**25,000+**

Transactions Reviewed

**2,300+**

Transactions Completed

## Firm Overview

- Founded in 1994
- Over 850 employees with over 170 investment professionals
- Award-winning middle market lending franchise<sup>2</sup>
- Top 3 middle market bookrunner for each of the last 10 years<sup>3</sup>
- Lending offices in New York, Chicago, San Francisco and London

## Investment Focus

- First lien first out senior secured floating rate loans
- Private equity sponsor-backed companies with \$10–100 million of EBITDA
- Recession-resilient industries with particular expertise in software, healthcare, specialty consumer and financial services
- Seek to generate consistent net returns and current income by maintaining low defaults and credit losses

1. "Capital under management" is a gross measure of invested capital including leverage. As of October 1, 2023.

2. Multi-year winner of "Senior Lender of the Year, Americas" (2015, 2016, 2017, 2019, 2020) and "Lender of the Year, Americas" (2015, 2016, 2018, 2021, 2022) from Private Debt Investor ("PDI"). Based on the number of votes cast on PDI's website. Peer group consisted of firms that applied or were nominated. In order to use the awards and recognitions received from PDI in Golub Capital materials as well as to be identified as an award recipient on PDI's website and materials used in association with certain of its awards, Golub Capital has provided de minimis compensation to PDI. All awards given on March 1st of the referenced year and based on the period of January 1st to September 30th of the prior year.

3. As of September 30, 2023. Golub Capital has been a Top 3 U.S. Middle Market Bookrunner each year from 2008–Q3 2023 for senior secured loans of up to \$500MM for leveraged buyouts, ranked by number of deals, based on Thomson Reuters LPC ("Reuters") and Golub Capital internal data. Market participants submit transaction data voluntarily to Reuters. As a result, the data referenced herein may not reflect all deals entered into during the time periods indicated. Past performance does not guarantee future results.

Source: Golub Capital. As of September 30, 2023.

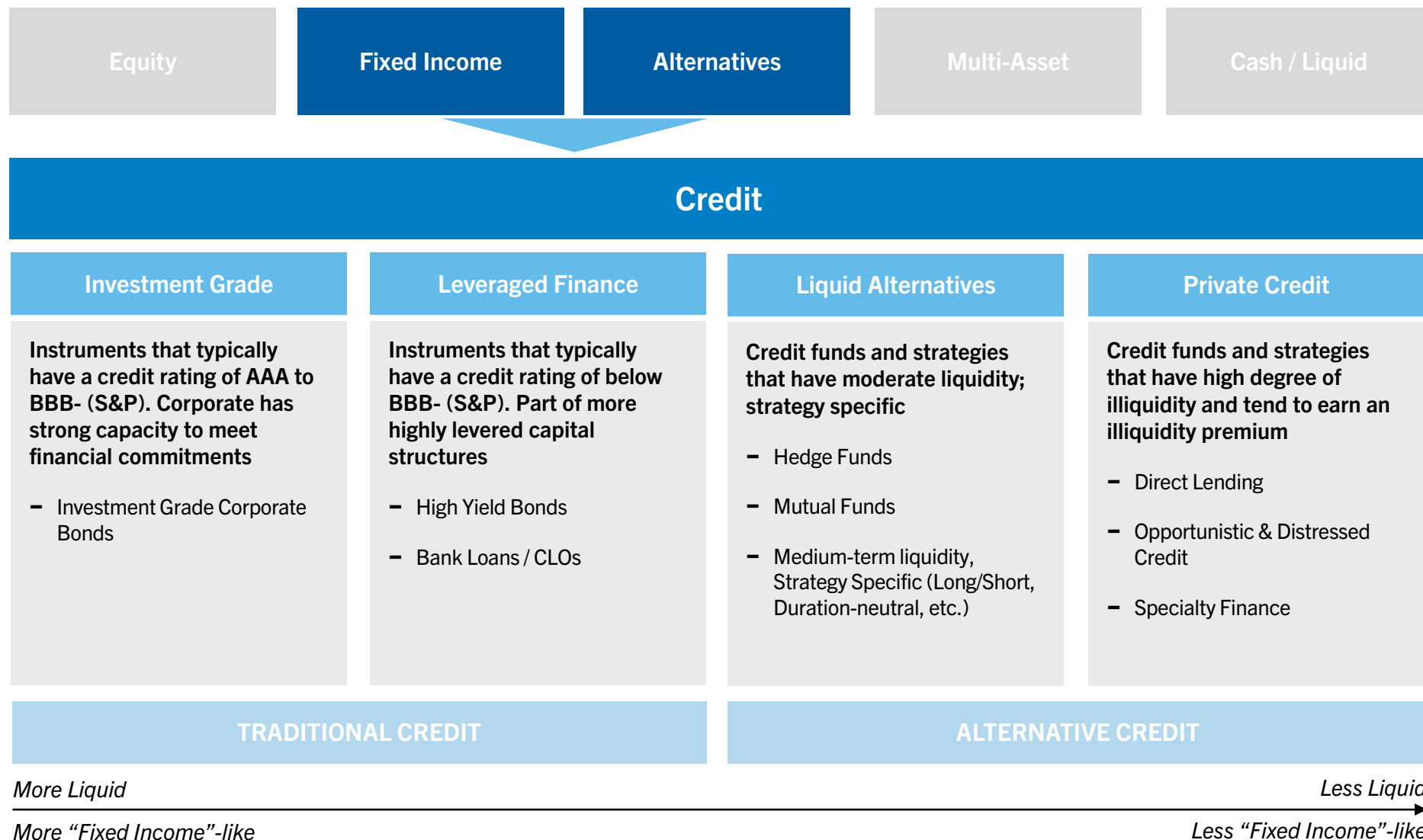
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# Direct Lending Overview

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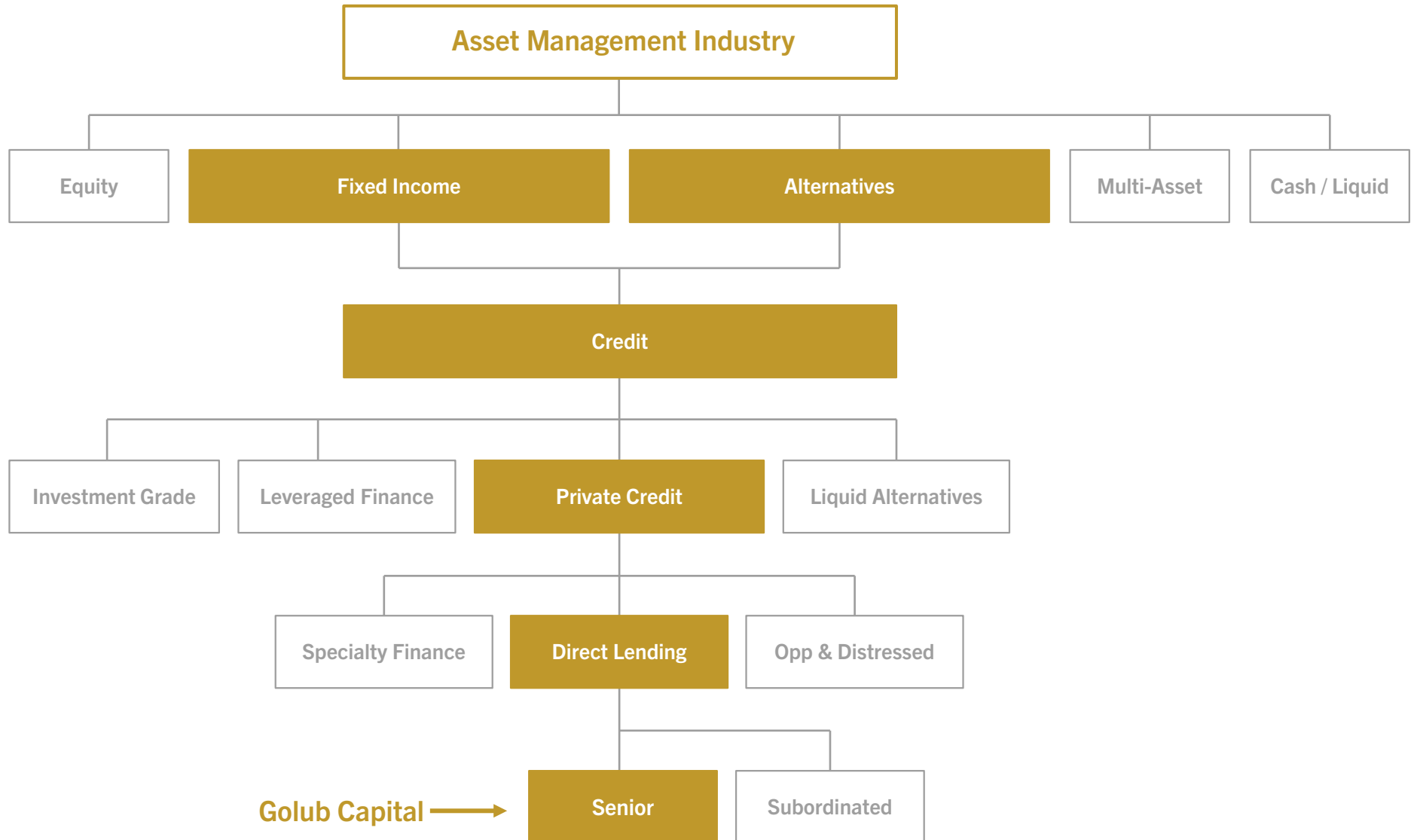
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# The Four Pillars of Credit



Source: Golub Capital, as of December 31, 2023.

# Golub Capital's Position in the Asset Management Industry



Source: Golub Capital, as of December 31, 2023.

# Senior Direct Lending Offers Attractive Features

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We believe senior direct lending offers several relative advantages over public market counterparts, including broadly syndicated loans and high yield bonds

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- 1. Substantially all floating rate**

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- 2. Short duration, providing investors with the potential for protection against rising rates**

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- 3. More robust covenants**

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- 4. Senior secured with priority in repayments vs subordinate debt**

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- 5. Higher amount of lender influence on debt structure and terms**

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Note: The analysis above is based on the characteristics of typical middle market loans (i.e., direct lending) as of September 30, 2023. The characteristics of individual assets may vary significantly from the generalizations.

Source: Golub Capital.

# What Do We Believe Private Equity Firms Want From Lenders?

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**1.** Strong long-term relationships rooted in reliability and trust

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**2.** Ability to finance many different kinds of deals

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**3.** Distinctive solutions

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**4.** Scalable facilities with dry powder

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**5.** Deep industry expertise

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**6.** Speed and confidentiality

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**7.** Proven capacity to navigate unexpected challenges

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# U.S. Middle Market Lending: Broad Opportunity Set

We believe private equity-backed U.S. middle market companies represent a large, attractive lending opportunity

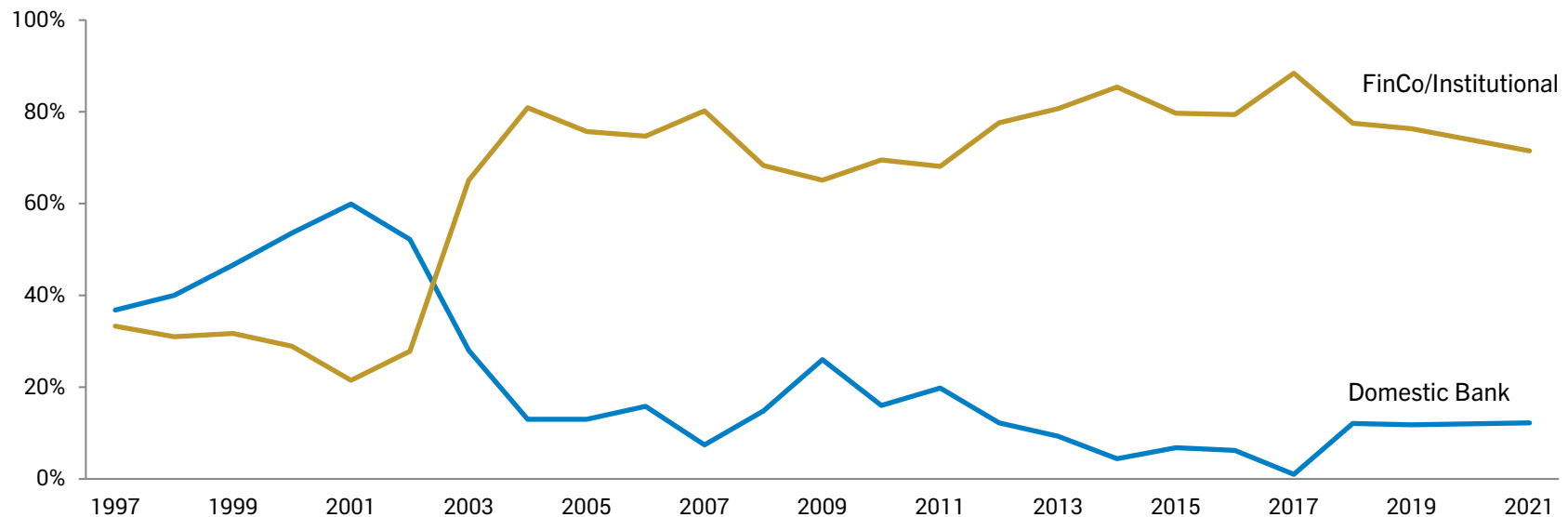
Key middle market stats\*

**200,000** U.S. businesses

**48mm** total jobs

**33%** of private sector GDP

Primary market share<sup>1</sup>  
(%)



\* The National Center for the Middle Market defines the U.S. middle market as companies with annual revenues between \$10 million to \$1 billion, "Mid-Year 2023 Middle Market Indicator." As of June 30, 2023.

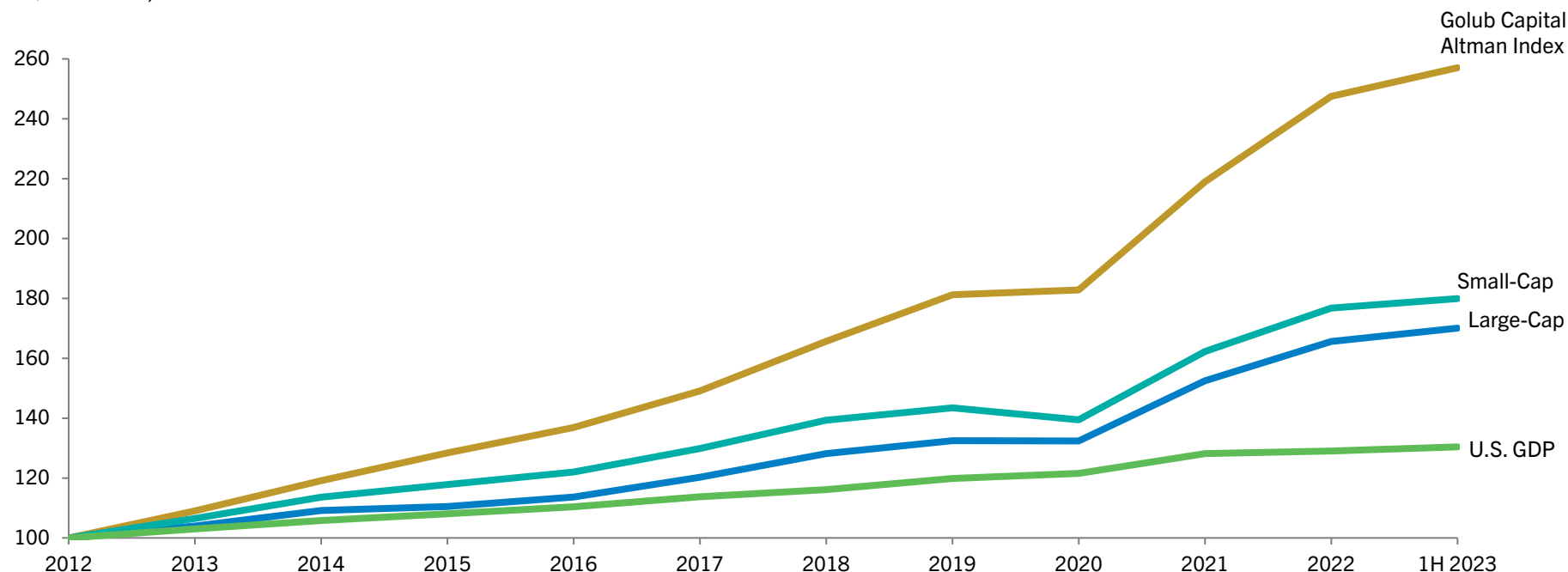
1. Pitchbook, LCD, "High-End Middle Market Lending Review 4Q 2023." Excludes data for 2020, 2022 and 2023 because PitchBook LCD did not have enough observations. Data series begins in 1997.

# Middle Market Companies Exhibit Positive Growth Trends

Fundamentals for middle market private companies continue to show growth despite recent macro headwinds

## Cumulative revenue growth<sup>1</sup>

(Index, 2012 = 100)



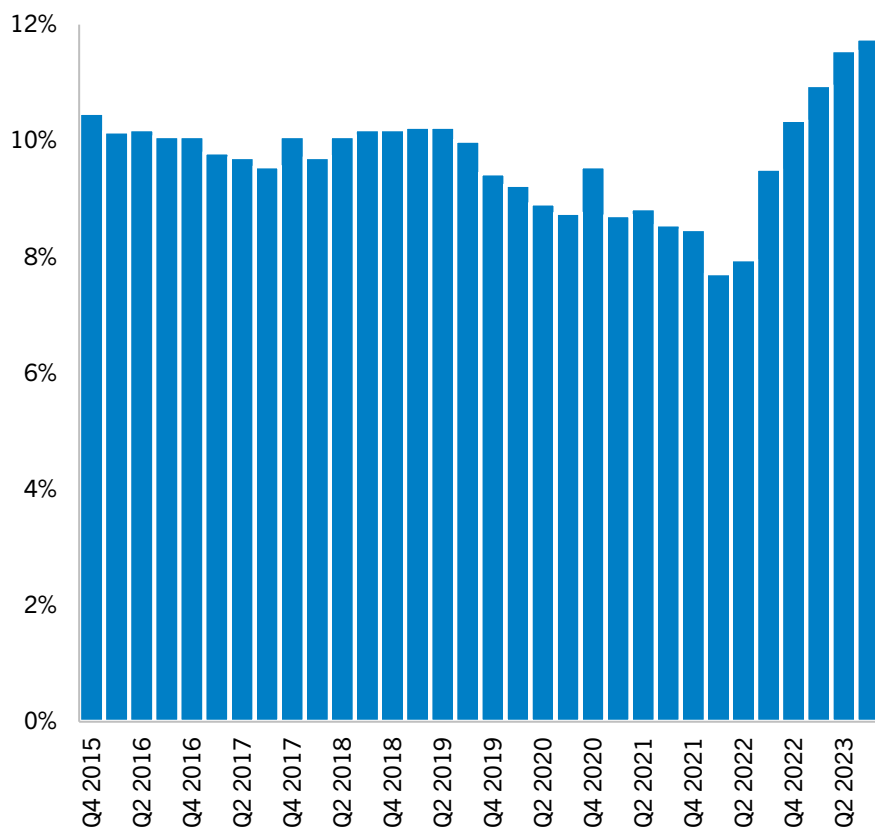
1. Cumulative revenue growth for Golub Capital Altman Index (“GCAI”), S&P 500 (“Large-cap”) and S&P 600 (“Small-cap”) indexes are based on the average median year-over-year revenue growth rates. U.S. GDP growth is presented in real terms (SAAR). All indices designed, calculated and published by third parties and presented herein are the property of their respective owners. Golub Capital makes no representations about the accuracy or appropriateness of the data reported by such third party data sources and such companies have not endorsed the contents of this presentation. Source: Bloomberg; Golub Capital, “Middle Market Report Q3 2023.” The Golub Capital Altman Index (“GCAI”) measures the median revenue and earnings growth of approximately 110–150 privately owned companies in the Golub Capital loan portfolio for the first two months of each calendar quarter. The GCAI is produced by Golub Capital in collaboration with credit expert Dr. Edward I. Altman. For more information, including a description of the methodology used to create the GCAI, please visit [golubcapital.com/middle-market-report](http://golubcapital.com/middle-market-report). Golub Capital began tracking these statistics in 2012. Small-Cap, Large-Cap and U.S. GDP data sourced from Bloomberg.

Note: Past performance does not guarantee future results. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indices may be materially different from the performance of Golub Capital Funds. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

# Direct Lending Has Offered Consistent Income and Attractive Returns Compared to Fixed Income Alternatives

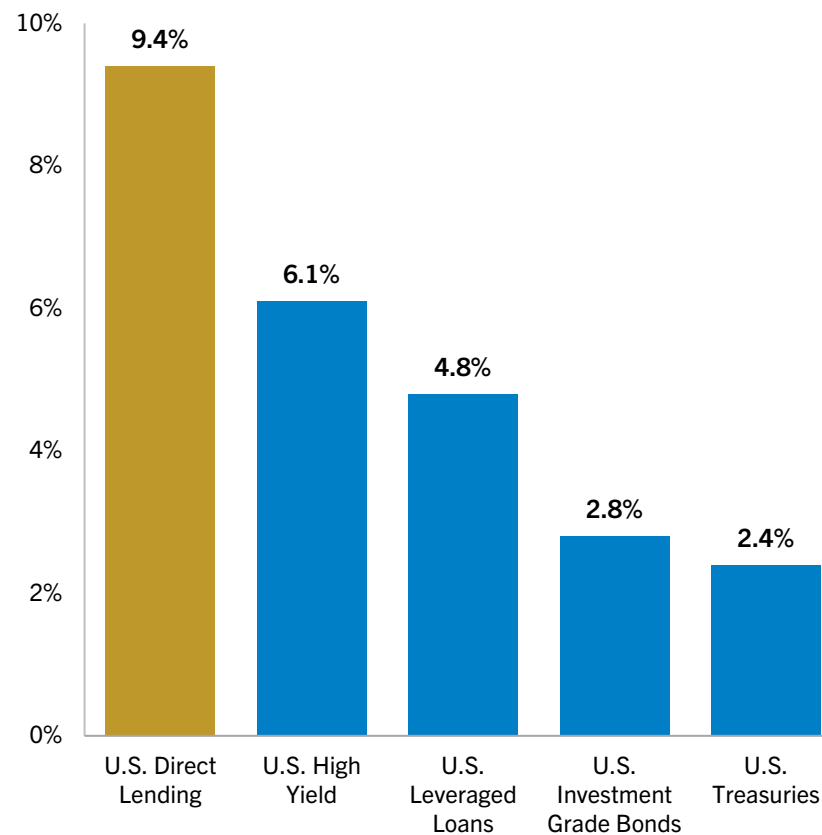
## Direct Lending Quarterly Income Returns (Annualized)<sup>1,2</sup>

Source: Cliffwater Direct Lending Index (“CDLI”)



## Strong Long-Term Returns: Direct Lending vs. Traditional Fixed Income<sup>2,3</sup>

Q4 2004–Q3 2023

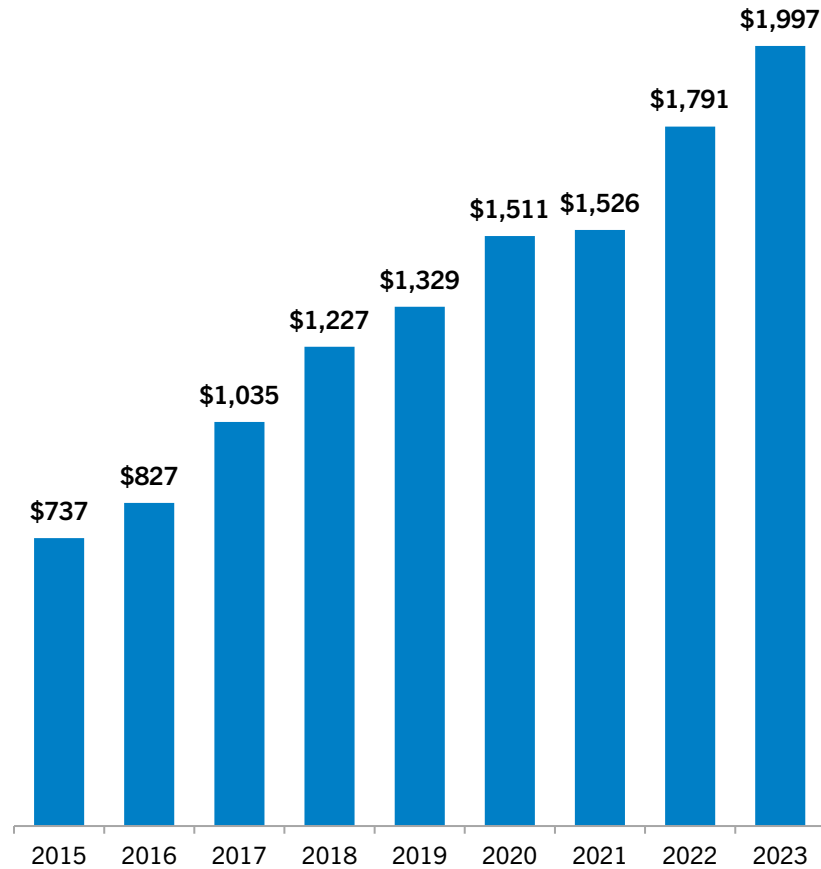


Note: Past performance does not guarantee future results. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indices may be materially different from the performance of Golub Capital Funds. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. This page is accompanied by the *Additional Footnotes* at the end of this section, which are an integral part of this presentation.

# The Direct Lending Market Benefits From Healthy Supply and Shifting Market Share Trends

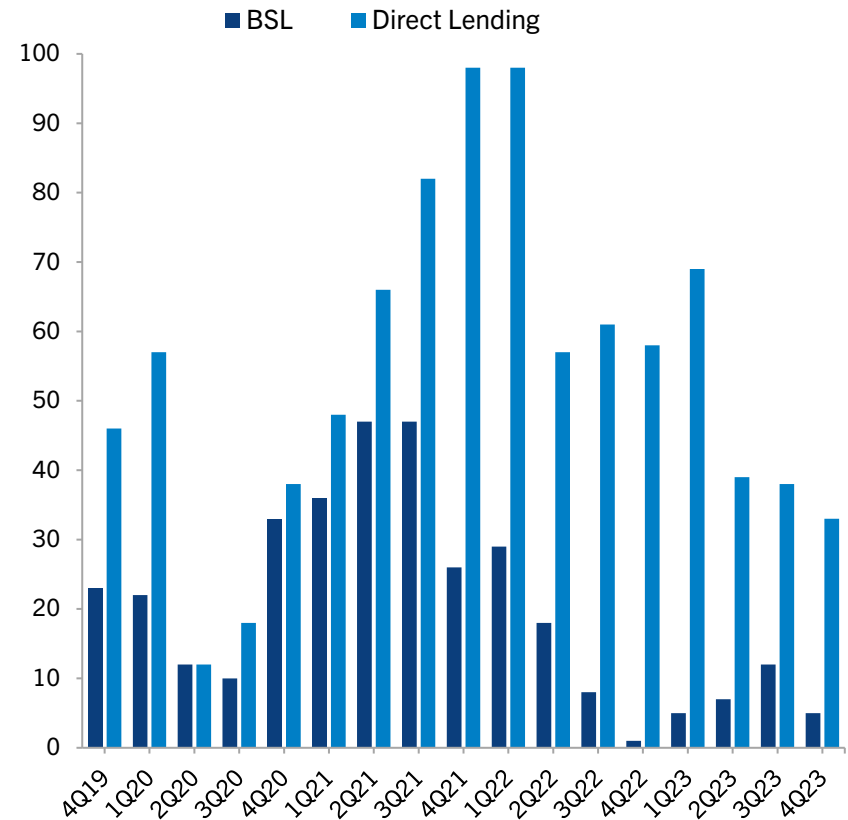
## Private equity firms have ample dry powder to invest...

Private Equity Dry Powder (\$bn)<sup>1</sup>



## ...and they are increasingly choosing the direct lending market to finance deals

Number of LBOs Financed in BSL vs. Direct Lending Markets<sup>2</sup>



1. Prequin, as of January 9, 2024. Dry powder is defined as the sum of uncalled capital commitments available for investment across the private equity funds tracked in Prequin's database. Figures represent year-end values.

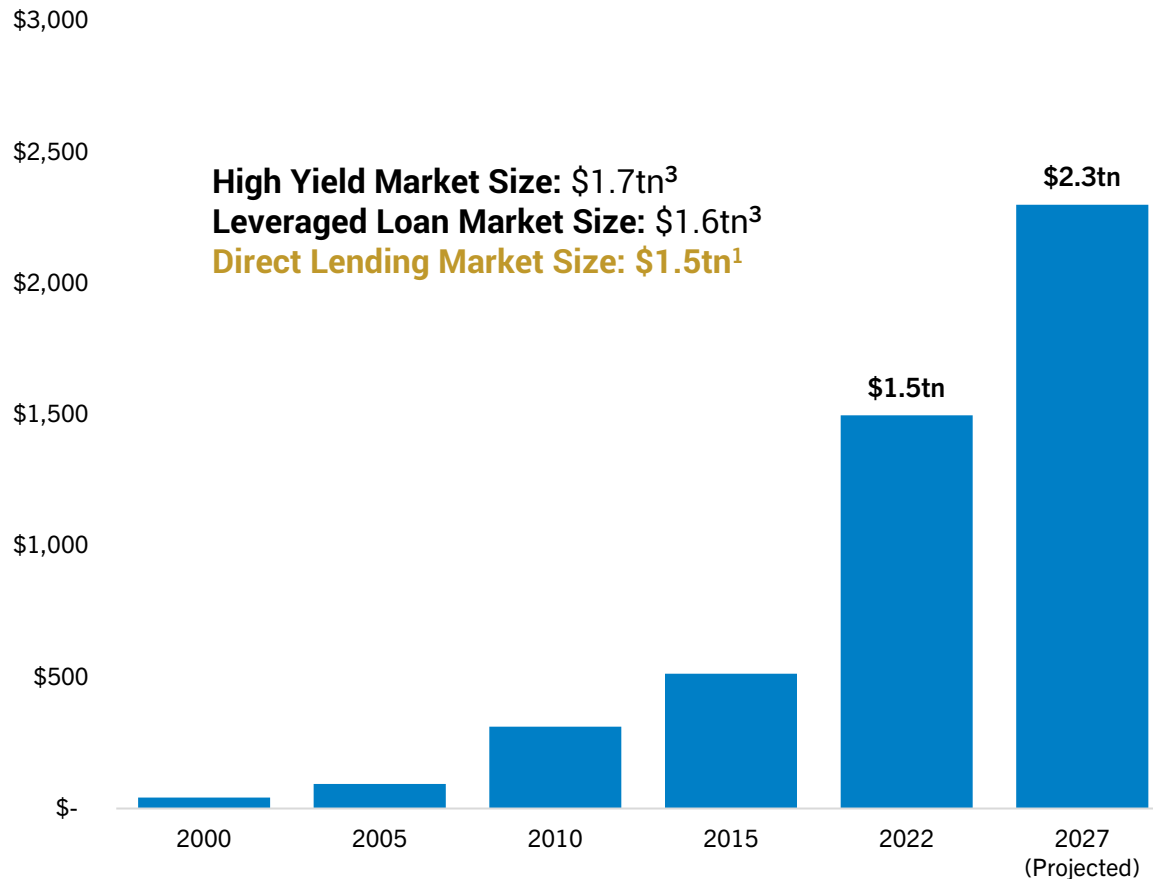
2. Pitchbook LCD, as of December 31, 2023.

Note: Certain statements herein constitute forward-looking statements, which relate to future events, future performance or financial condition. Actual results could differ materially from those implied or expressed in forward-looking statements for any reason, and future results could differ materially from historical performance.

# Growing Asset Class Supported by Strong Tailwinds

Direct Lending is a rapidly growing asset class, supported by significant momentum in the private equity ecosystem and reduced supply from traditional lending sources

Direct Lending Market Size (\$bn)<sup>1,2</sup>



**12%**

Bank participation in U.S. Loans, down from 54% in 2000<sup>4</sup>

**31%**

Direct Lending's market share of overall global leveraged credit markets, up from 5% in 2000<sup>5</sup>

1. Source: Preqin. AUM data as of December 31, 2022.

2. 2027 Projection source: Preqin, 2023 Global Private Debt Report.

3. Source: J.P. Morgan 2022 Leveraged Loan Annual Review and J.P. Morgan 2022 High-Yield Annual Review. Figures represent total U.S. market size for High Yield and Leveraged Loans as of December 31, 2022.

4. S&P LCD, "High-End Middle Market Lending Review 4Q 2023."

5. Sources: J.P. Morgan 2022 Leveraged Loan Annual Review, J.P. Morgan 2022 High-Yield Annual Review and Preqin. Data as of December 31, 2022.

# Additional Footnotes

## Direct Lending Has Offered Consistent Income and Attractive Returns Compared to Fixed Income Alternatives

1. Represented by the annualized quarterly income returns of the Cliffwater Direct Lending Index (the “CDLI”). As of September 30, 2023. The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of Business Development Companies (“BDCs”), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.
2. You cannot invest directly in an index, which also does not take into account trading commissions and costs. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.
3. Returns are measured by annualized returns, which are calculated based on quarterly returns. Data from September 30, 2004 (the CDLI inception) through September 30, 2023. The indices used in this analysis are:
  - U.S. Direct Lending is represented by the CDLI;
  - U.S. High Yield is represented by ICE BofA US High Yield Index. The ICE BofA US High Yield Index tracks the performance of dollar denominated below investment grade corporate debt publicly issues in the US domestic market;
  - U.S. Leveraged Loans are represented by the Morningstar LSTA US Leveraged Loan Index. The Morningstar LSTA US Leveraged Loan Index is a market value-weighted index designed to measure the performance of the U.S. broadly syndicated leveraged loan market. The Morningstar LSTA US Leveraged Loan Index typically encompasses 90%-95% of the entire broadly syndicated leveraged loan market;
  - U.S. Investment Grade Bonds are represented by Bloomberg US Aggregate Bond Index. The Bloomberg US Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis;
  - U.S. Treasuries are represented by the ICE BofA U.S. Treasury Index. The ICE BofA U.S. Treasury Index tracks the performance of the U.S. dollar denominated sovereign debt publicly issued by the US government in its domestic market.

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# Current Environment & Opportunity Set

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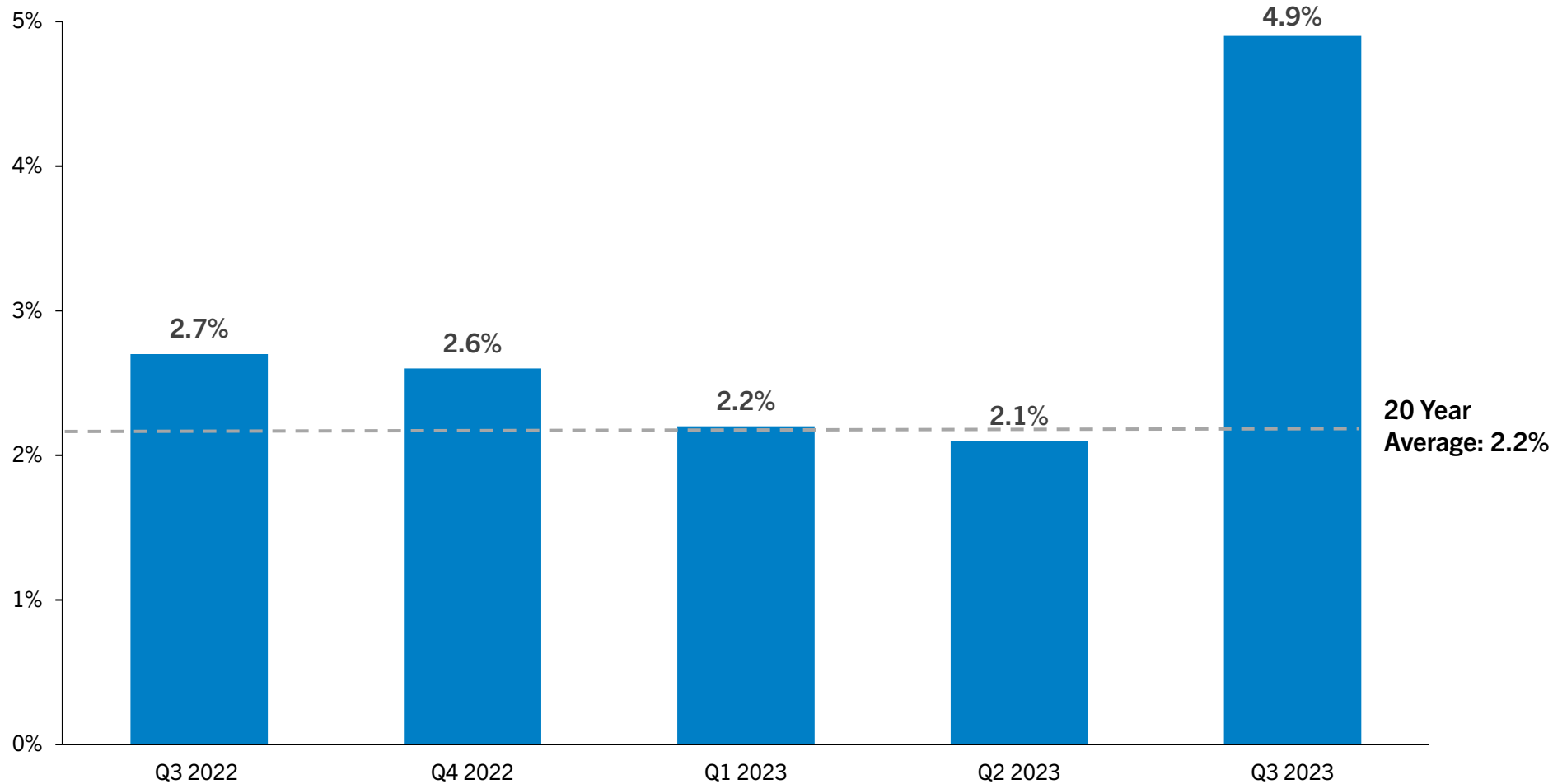
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# The U.S. Economy Continues to Show Resilience Despite Uncertainty and Higher Interest Rates

**U.S. Real Gross Domestic Product**  
Seasonally Adjusted Annual Rate



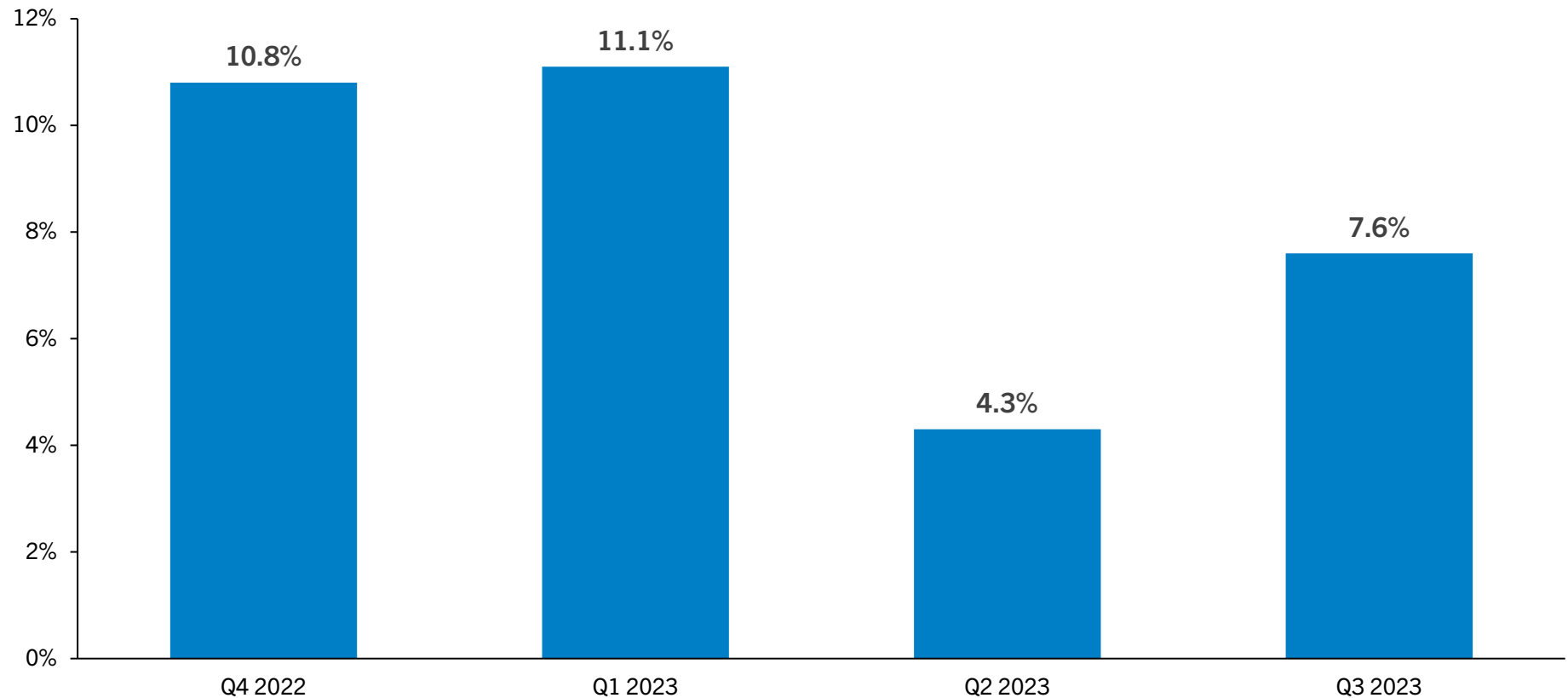
Source: FRED. As of October 2023.



# Middle Market Private Companies Continue to Show Growth Despite Macro Headwinds

## Golub Capital Altman Index<sup>1</sup>

% Change in Revenue From Prior Year

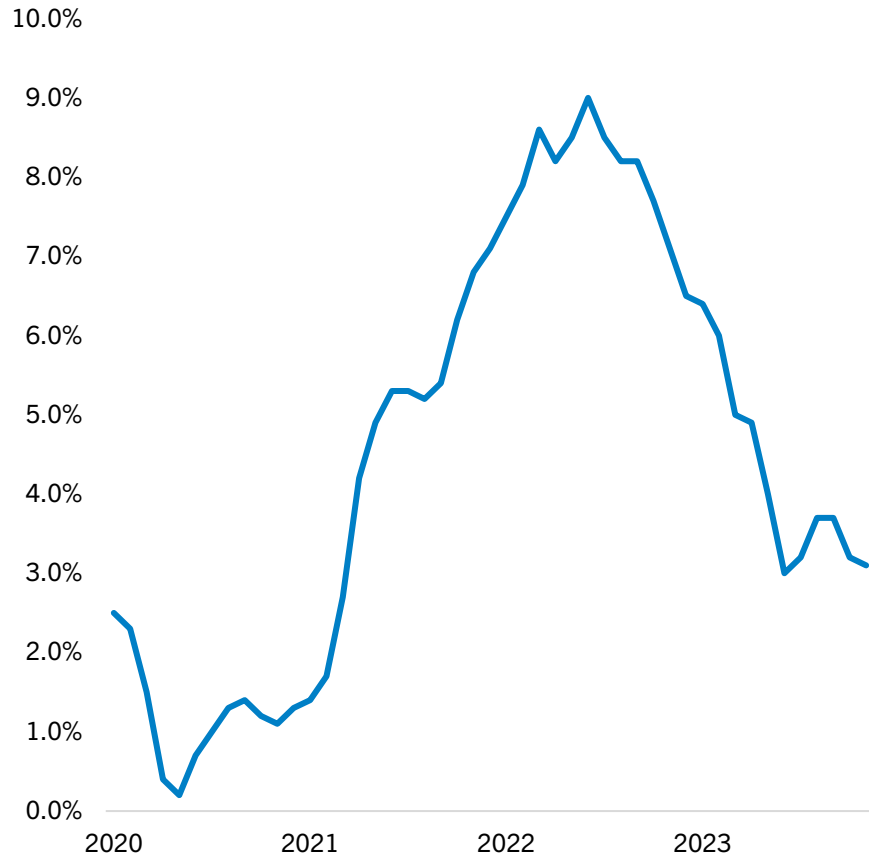


1. The Golub Capital Altman Index (“GCAI”) measures the median revenue and earnings growth of approximately 110–150 privately owned companies in the Golub Capital loan portfolio for the first two months of each calendar quarter. The GCAI is produced by Golub Capital in collaboration with renowned credit expert Dr. Edward I. Altman. For more information, including a description of the methodology used to create the GCAI, please visit [golubcapital.com/middle-market-report](http://golubcapital.com/middle-market-report).

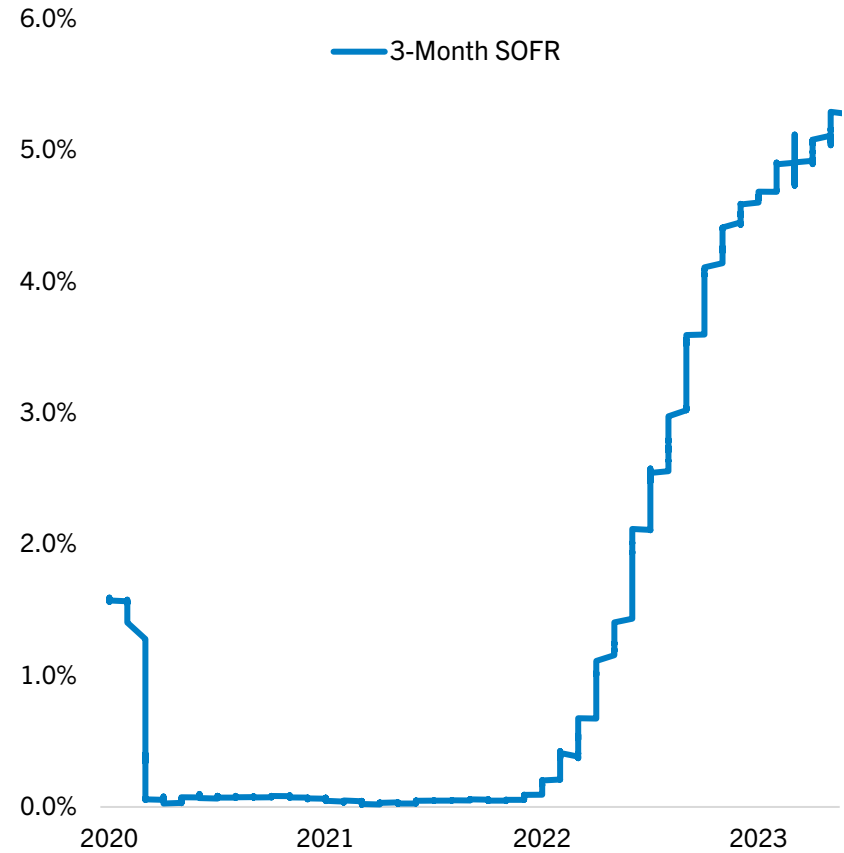
Note: Past performance does not guarantee future results. The volatility of indices may be materially different from the performance of Golub Capital funds. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

# Inflation Has Led to Higher Rates

Headline CPI: Trending Down, but Remains Elevated<sup>1</sup>



Base Rates Have Moved Significantly Higher<sup>2</sup>

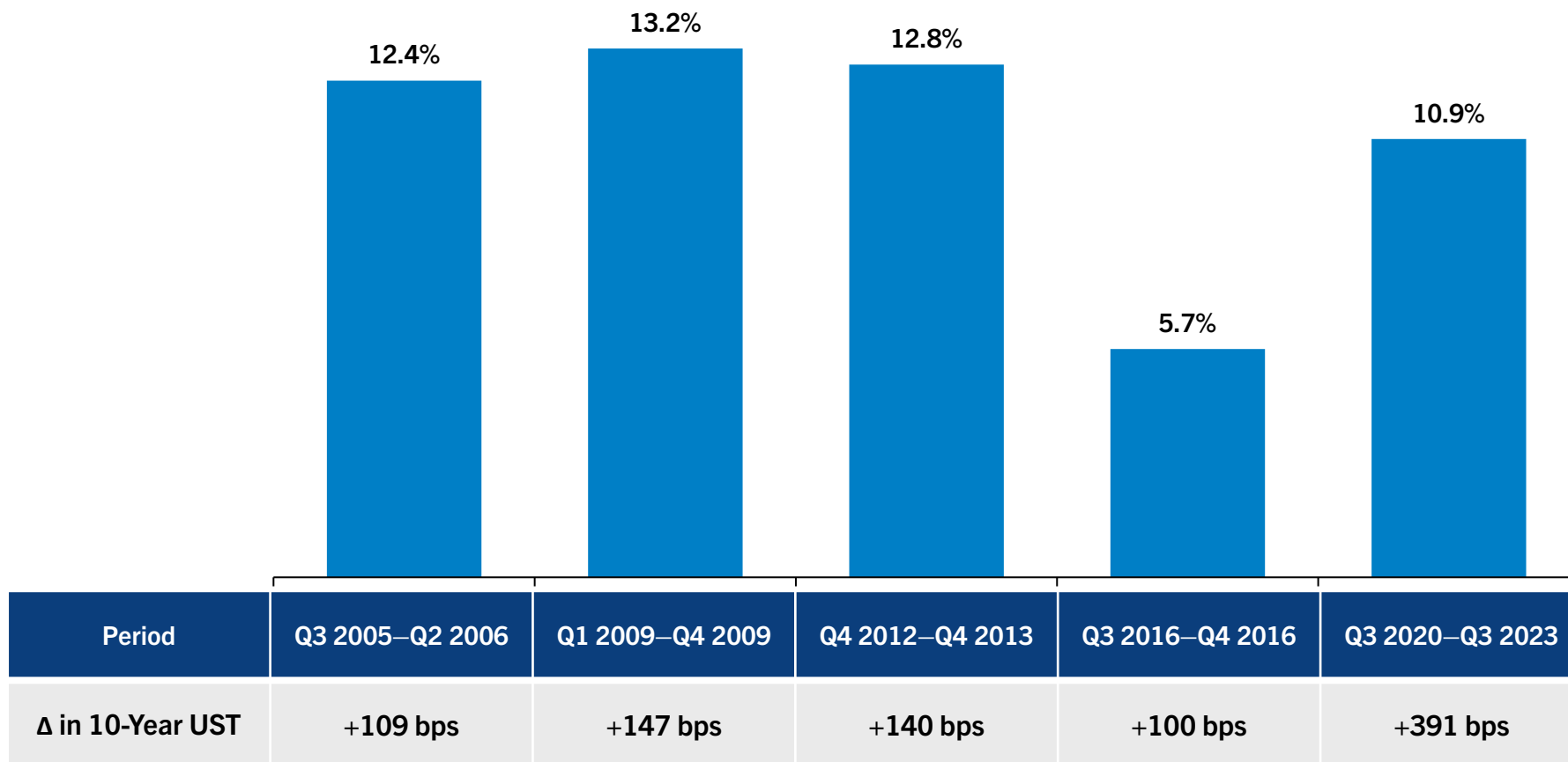


1. Source: Year-over-year Consumer Price Index ("CPI") data from the Bureau of Labor Statistics. As of November 2023.

2. Source: Bloomberg, as of September 30, 2023. 3-Month SOFR represented by the CME Term SOFR 3 Month.

# Direct Lending Has Historically Delivered Strong Performance During Periods of Rising Rates...

**Direct Lending Returns<sup>1</sup> When 10-Year U.S. Treasury Yield Increased by 100 bps+\***  
 Since Cliffwater Direct Lending Index (“CDLI”) Inception



\* Returns in periods of greater than one year are annualized.

1. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The index used in this analysis is:

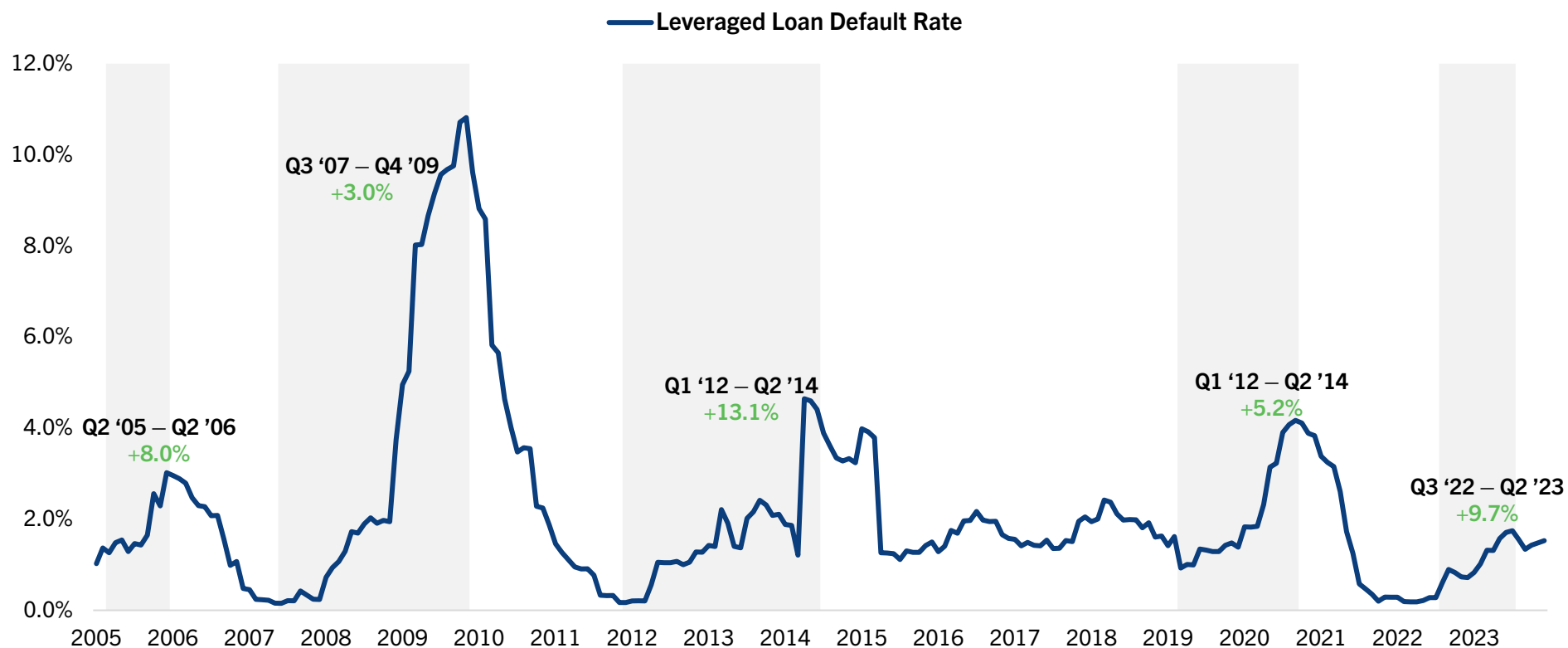
- Direct Lending is represented by the CDLI. The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of BDCs, including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. Data from September 30, 2004 (the CDLI inception) through September 30, 2023.

Note: Past performance does not guarantee future results. The volatility of indices may be materially different from the performance of Golub Capital funds. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

# ...And During Periods of Rising Defaults

## Direct Lending Returns<sup>1</sup> During Periods of Rising Leveraged Loan Defaults<sup>2</sup>

January 2005–December 2023



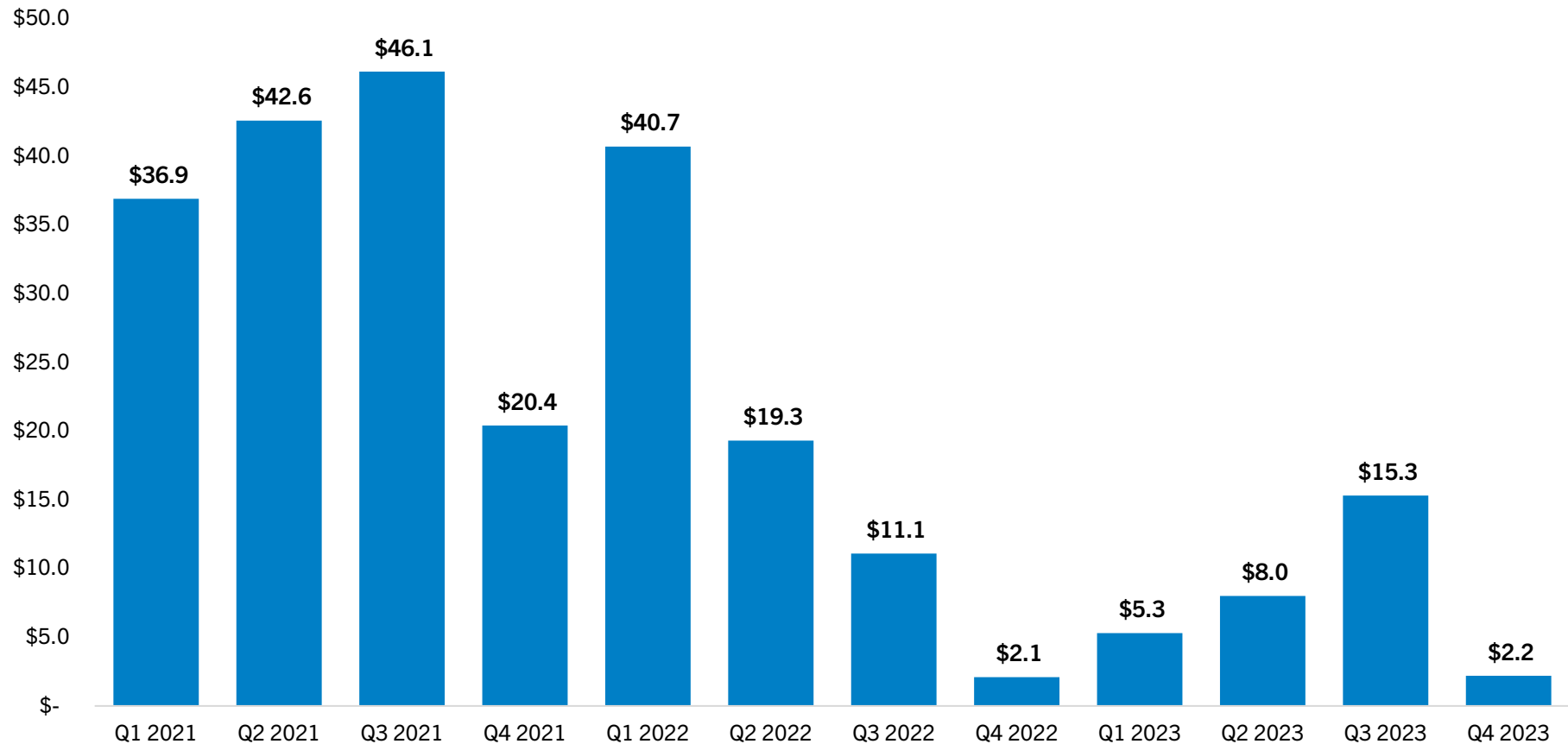
1. Returns in periods of greater than one year are annualized. You cannot invest directly in an index, which also does not take into account trading commissions and costs. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Direct Lending is represented by the CDLI. Data as of September 30, 2023.

2. Represents the trailing twelve-month default rate of the Morningstar LSTA US Leveraged Loan Index. As of December 31, 2023.

Note: Past performance does not guarantee future results. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of indices may be materially different from the performance of Golub Capital funds. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

# M&A Activity Has Slowed Considerably

Quarterly Leveraged Buyout (“LBO”) Volume (\$bn)

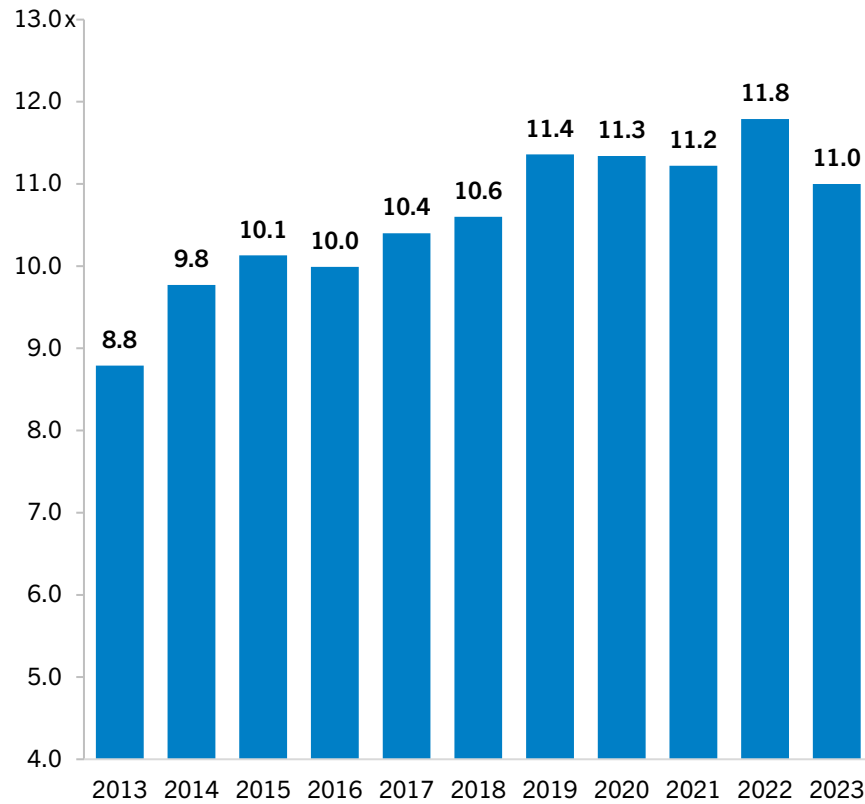


Source: Pitchbook LCD's 'U.S. Interactive Volume Report', as of December 31, 2023.

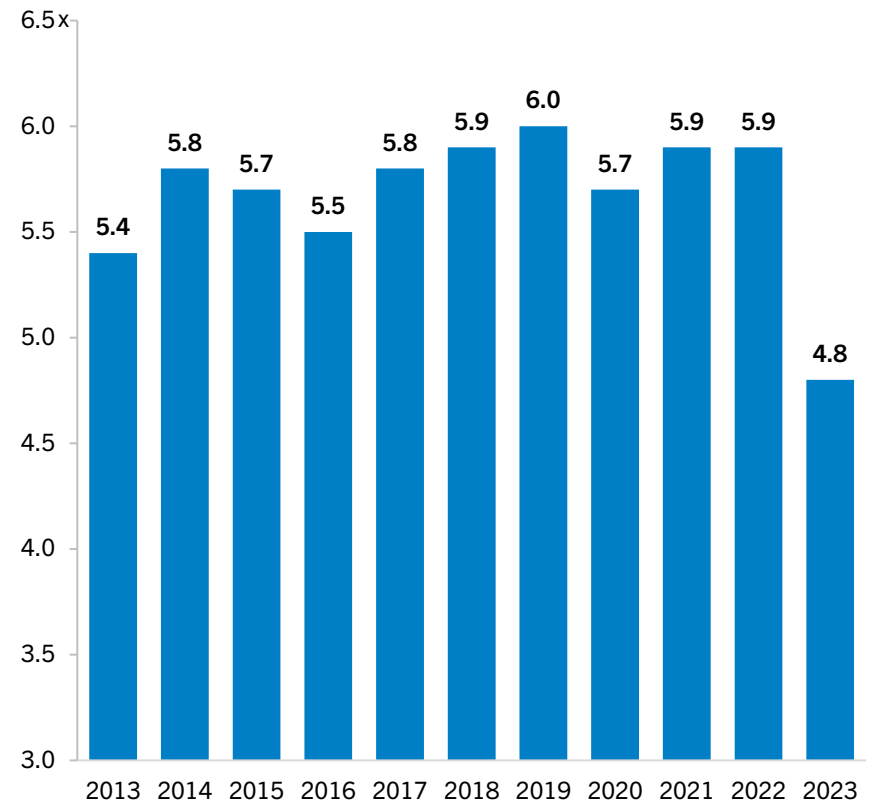
# Stable Leverage Multiples

Equity valuations have risen in recent years while leverage multiples have remained relatively stable

### LBO Purchase Price Multiples



### LBO Leverage Multiples



Source: PitchBook LCD's "High-End Middle Market Lending Review – 4Q 2023." Data as of December 31, 2023.

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# Summary

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# Closing Remarks

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**1.**

**We believe senior secured Direct Lending offers several attractive features**

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**2.**

**Direct lending has performed well for investors through multiple market cycles**

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**3.**

**While there are a variety of macro headwinds, we believe the direct lending market is well positioned to weather the storm**

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# Important Investor Information

Golub Capital (including its various affiliates) creates and manages multiple investment funds. Two of its control affiliates, GC Advisors LLC (“GC Advisors”) and GC OPAL Advisors LLC (“GC OPAL Advisors”), and together with GC Advisors, the “Registered Advisers”) are registered investment advisers with the United States Securities and Exchange Commission (the “SEC”). A number of other investment advisers, such as GC Investment Management LLC and OPAL BSL LLC (Management Series) (collectively, the “Relying Advisers”) are registered in reliance upon GC OPAL Advisors’ registration. The Registered Advisers and the Relying Advisers (collectively, the “Advisers”) manage certain of Golub Capital’s affiliated funds and accounts. For a detailed description of the Advisers and each of their investment advisory fees, please see the Registered Advisers’ Form ADV Part 1 and 2A on file with the SEC. Registration is not an endorsement by the SEC, nor does it mean that a government agency approves an advisor or reviews its qualifications. Registration does not imply a certain level of skill or training, nor does it guarantee success or future performance.

**Past performance does not guarantee future results.** The performance results are presented for Golub Capital’s managed funds or accounts as indicated. The performance presented does not necessarily represent the return of any individual investor. An investor’s return could be significantly lower or higher than the returns shown due to differences in the timing of the investment and other factors. Gross returns shown do not reflect the deduction of management fees and/or incentive fees. Such fees, if charged, will reduce an investor’s return. Net returns reflect the deduction of all fund expenses, including performance and investment advisory fees. Each fund’s investment manager and its affiliates have the discretion to waive all or part of the management fee, incentive allocation, and other fees and expenses that they are entitled to receive, whether directly from such fund or indirectly from payments or distributions that would have otherwise been paid or distributed to the investment manager or its affiliates from holding companies, investment vehicles or other entities managed by them. Further, each fund’s investment manager and its affiliates are permitted to reduce, waive or absorb all or part of the fees or costs otherwise due by such fund or its subsidiaries. Such reductions, waivers and absorptions of fees and costs have occurred in past periods and resulted in higher returns to investors than investors would have received if full fees and costs had been charged. There is no guarantee that such reductions, waivers or absorptions will occur in the future, and such reductions, waivers and absorptions are entirely at the discretion of the investment manager. Additional information on past reductions or waivers of management fees and incentive allocations is available upon request. For more detailed financial information, please refer to the financial statements that are provided as part of the standard reporting package each quarter.

Golub Capital investments are valued at each quarter-end at their fair value consistent with ASC Topic 820 and Golub Capital’s valuation policies and procedures. The Internal Rate of Return (“IRR”) is the annualized effective compound rate of return and is based on starting capital accounts, distributions, capital calls, and ending capital accounts. The IRR performance calculation includes historical cash flows (in the case of investments, this includes the initial investment, interest and principal received, and any additional receipts or payments, and in the case of funds, this includes all capital contributions and distributions) as well as the current fair value of each portfolio loan or other investment still outstanding. The current fair value of outstanding portfolio loans or other investments that are not actively traded is determined in accordance with the valuation policies and procedures as summarized in the Registered Advisers’ Form ADV Part 2A.

The determination of the current fair value of each portfolio loan or other investment is based on several inputs, including, among other factors, scheduled payments and comparable market yields.

Because many of the loans or other investments are not actively traded, this determination of current fair value is a material factor in determining IRR performance. Actual amounts subsequently realized on an investment could differ materially from the current fair value, and accordingly the actual IRR performance could differ materially from that stated herein.

The value of investments and the income derived from investments can go down as well as up. Future returns are not guaranteed, and a loss of principal could occur. An investment in any Golub Capital affiliated fund will be subject to a variety of risks (which are described in that affiliated fund’s confidential offering memorandum), and there can be no assurance that any Golub Capital affiliated fund will meet its investment objective or that any such fund will not incur losses. Certain statements herein constitute forward-looking statements, which relate to future events, future performance or financial condition, and are subject to change for any reason. Actual results could differ materially from those implied or expressed in such forward-looking statements for any reason, and future results could differ materially from historical performance.

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