The new order:
Leverage finance in an asset management world

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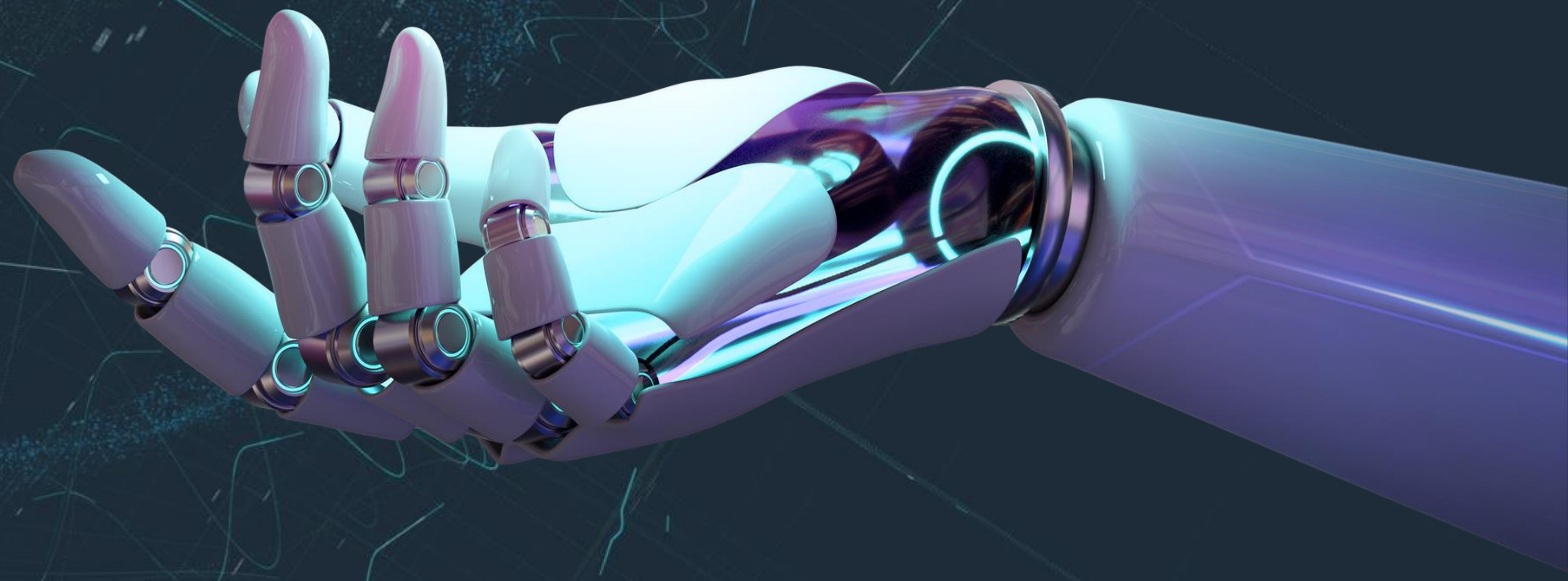

Buyout Financings: From Fee to Income Generation

Very different dynamics between distributing and holding loans

Macro narrative evolving; markets whipsawed by economic data.

Imposing bank construct on asset management ecosystem triggers mistaken pattern recognition.

Role reversal has direct lenders as the efficient market, leaving banks to fill the gaps.

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Bank loans: Lots of cash, not much to spend on.

1. Rate hikes pause, CLO equity trade improves, vehicle formation up

2. BSL activity mostly refinancings picking off UMM in direct lending

3. M&A remains slow, backlog of $3T un-exited global companies

4. GPs developing ways to get LPs liquidity; div recaps, secondaries, CVs.

5. Middle market less susceptible to BSL trades; more bespoke deal flow

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Public/private credit: different paths and variables

Issuer size	Covenant	Ratings	Pricing	Liquidity	Distribution model (vs. buy-and-hold)	Lender group	Sector focus

Execution trade-off: cheap pricing, loose terms vs. fast commit and close.

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M&A: Where is all the Deal Flow?

Bid/ask spread between buyers and sellers remains a challenge

"I'm still paying high-double-digit multiples for software and tech."

"Quality of acquisitions best I've seen in a long time."

"Undeployed PE dry powder at record levels still dwarfs PC available cash."

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Private Credit: Supply/Demand

High financing costs remain a drag on private equity realizations.

Private credit dry powder not linked to rate or economic conditions.

Middle market GPs tightening inner circle of favored credit providers.

The top-tier GPs will receive outsized share of whatever deals emerge in this cycle.

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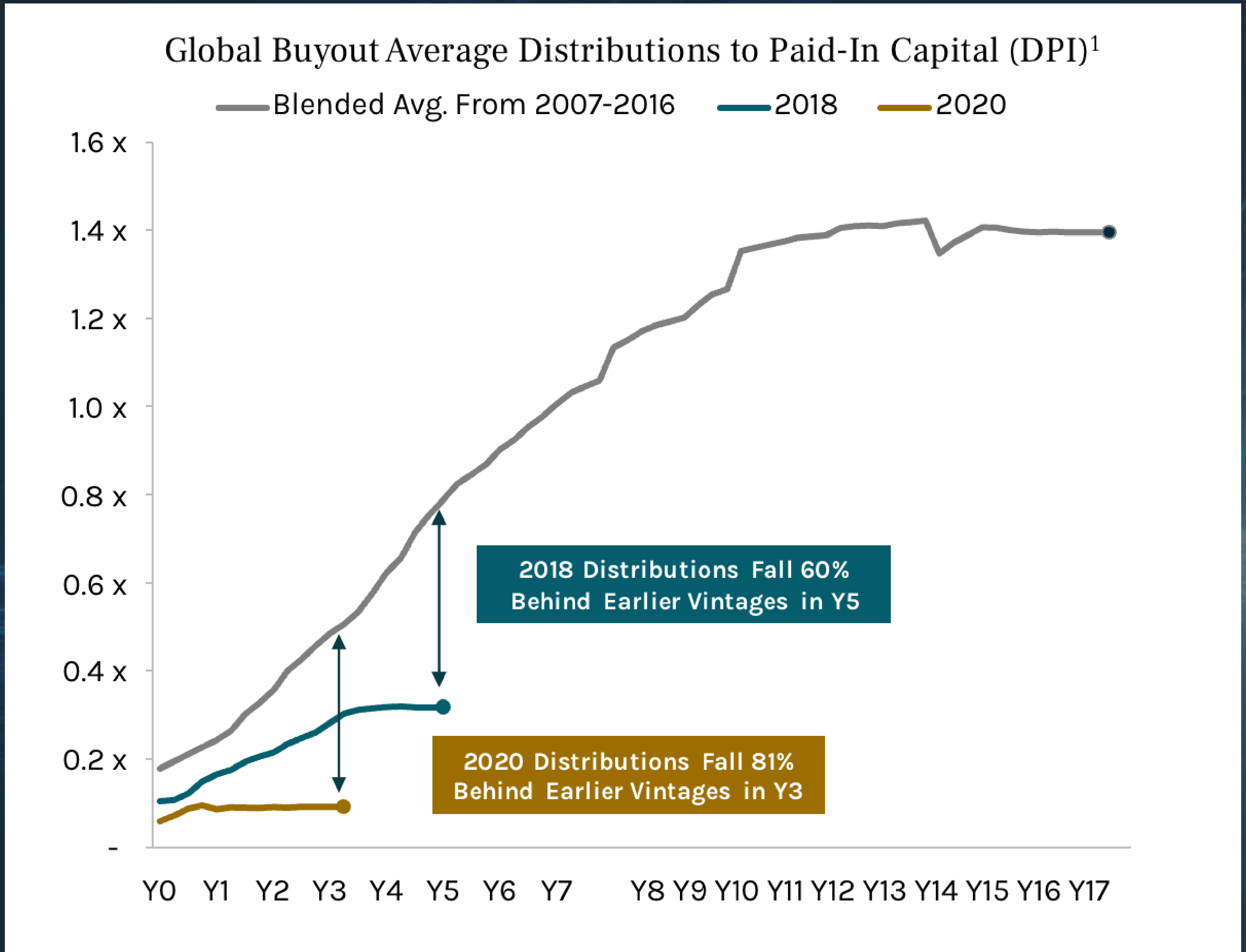
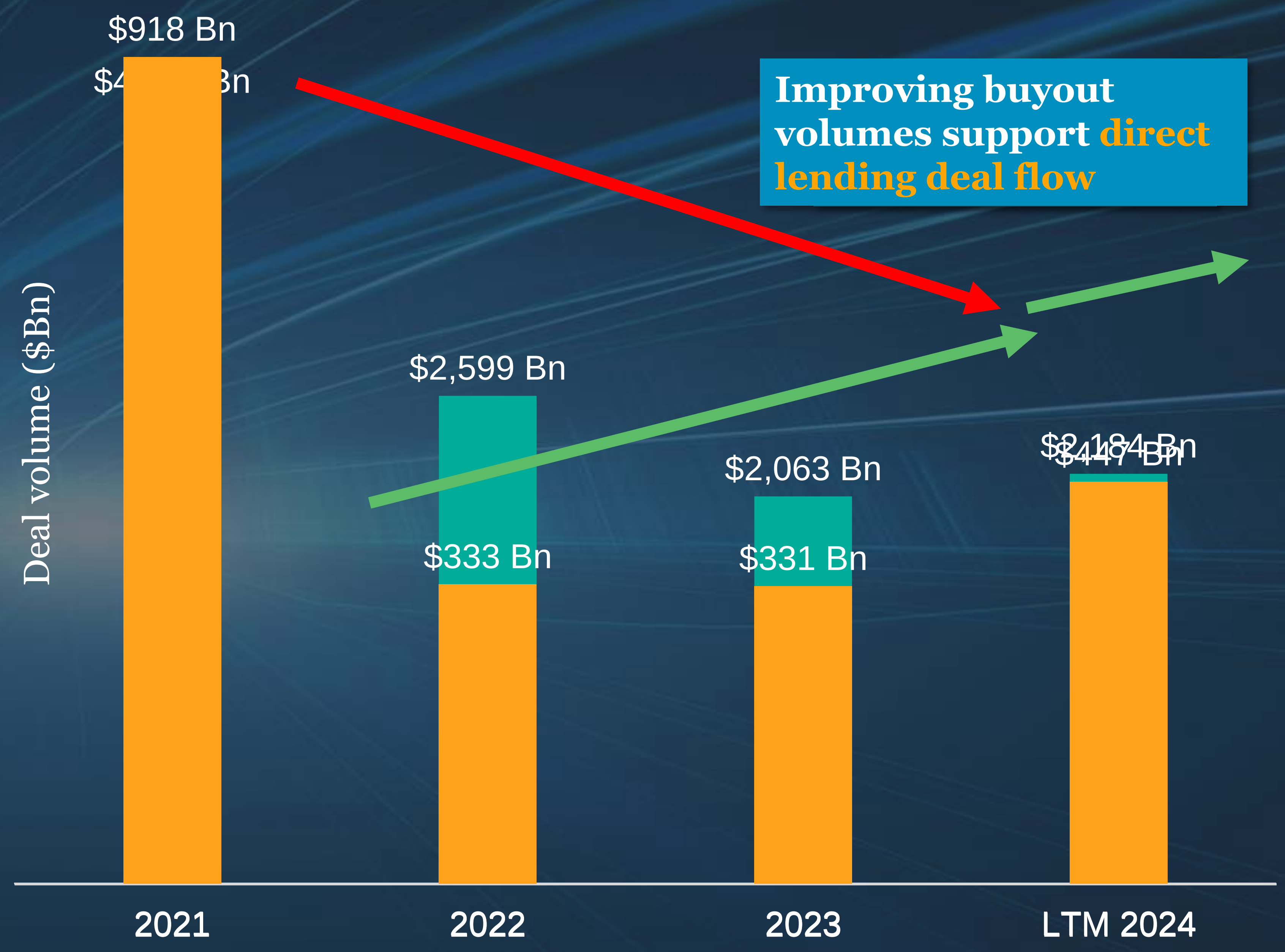
Private Credit: Supply/Demand



Global M&A activity[3] / Global buyout activity[3]



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1 Source: Goldman Sachs Investment Banking, "Observations on Private Equity Cash Flow Trends". DPI represents total LP distributions as a multiple of capital paid in by LPs. 2020 and 2018 lines represent a vintage year; 2 S&P Global market intelligence articles "Global M&A by the Numbers: 2020 Recap" and "Global M&A by the Numbers: Q1 2024"; 3 Calculated as the aggregate value of European and US-focused LBO deal volumes. European volumes converted from EUR into USD at the average FX rate for the relevant annual period. Source: LCD Data accessed on May 26th, 2024.

Is Now the Right Time for Private Credit?

"Private credit is not a bet or a tactic, it's a long-term strategy for effectively managing credit risk, rate uncertainty, and market volatility."

Economic and market unknowns drive private credit appetite.

It's not just about absolute yields; relative yields and consistency matter.

78% of investors will maintain/ increase PC allocation over next 2 years[1].

100% expect their private credit funds to perform at or better than benchmark over the next 12 months[2].

Why are investors bullish on PC? Because it's working as designed!

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1 Source: Nuveen's 2024 EQuilibrium global institutional investor survey; 2 Source: Private Debt Investor's Perspectives Report 2024

What to Watch in Private Credit

Portfolios performing as expected; growth is slowing.

Spreads tightening; overall yields remain high.

Defaults are subdued; amend and extend continue.

Differentiated origination is key to steady deployment; experienced portfolio construction minimizes risk.

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All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Past performance does not guarantee future results.

Investments in middle market loans are subject to certain risks. Please consider all risks carefully prior to investing in any particular strategy. These investments are subject to credit risk and potentially limited liquidity, as well as interest rate risk, currency risk, prepayment and extension risk, inflation risk and risk of capital loss.

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