

PRIVATE CREDIT: A GLOBAL PERSPECTIVE

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PRIVATE CREDIT: A GREAT DIVERSIFIER

The Private Credit market has been the center of attention for some time now, and rightfully so due to its many attractive features.

Attractive features

- Portfolio diversification
- Uncorrelated to risk assets
- Consistent and predictable income
- Attractive yields
- Capital preservation

Different Strategies

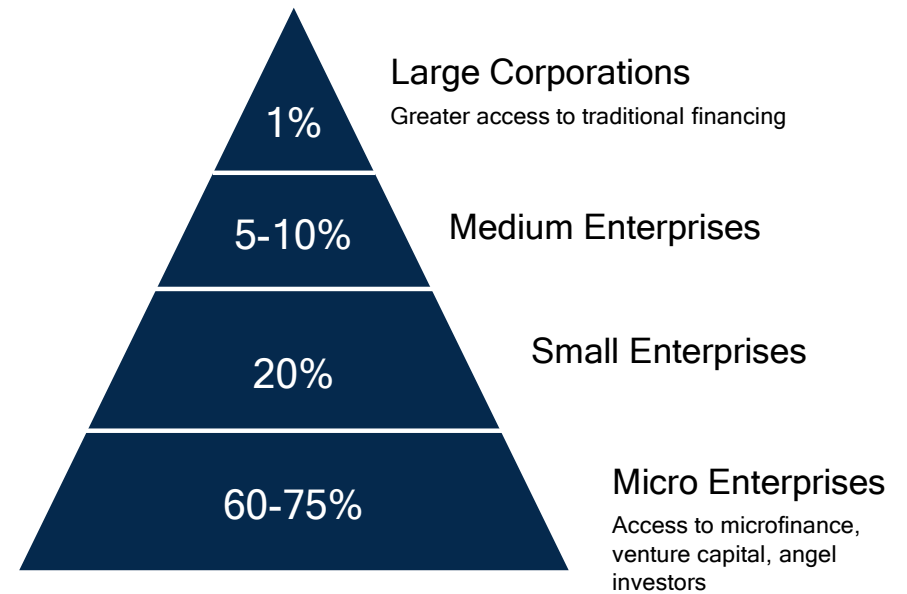
- Direct lending
- Distressed debt
- Mezzanine debt
- Special situations

PRIVATE CREDIT: CURRENT LANDSCAPE

Unprecedented levels of focus on U.S. corporate middle-to-large market lending has lead to steep competition for deal flow, ultimately leading to the borrowers advantage.

Preqin Estimates¹

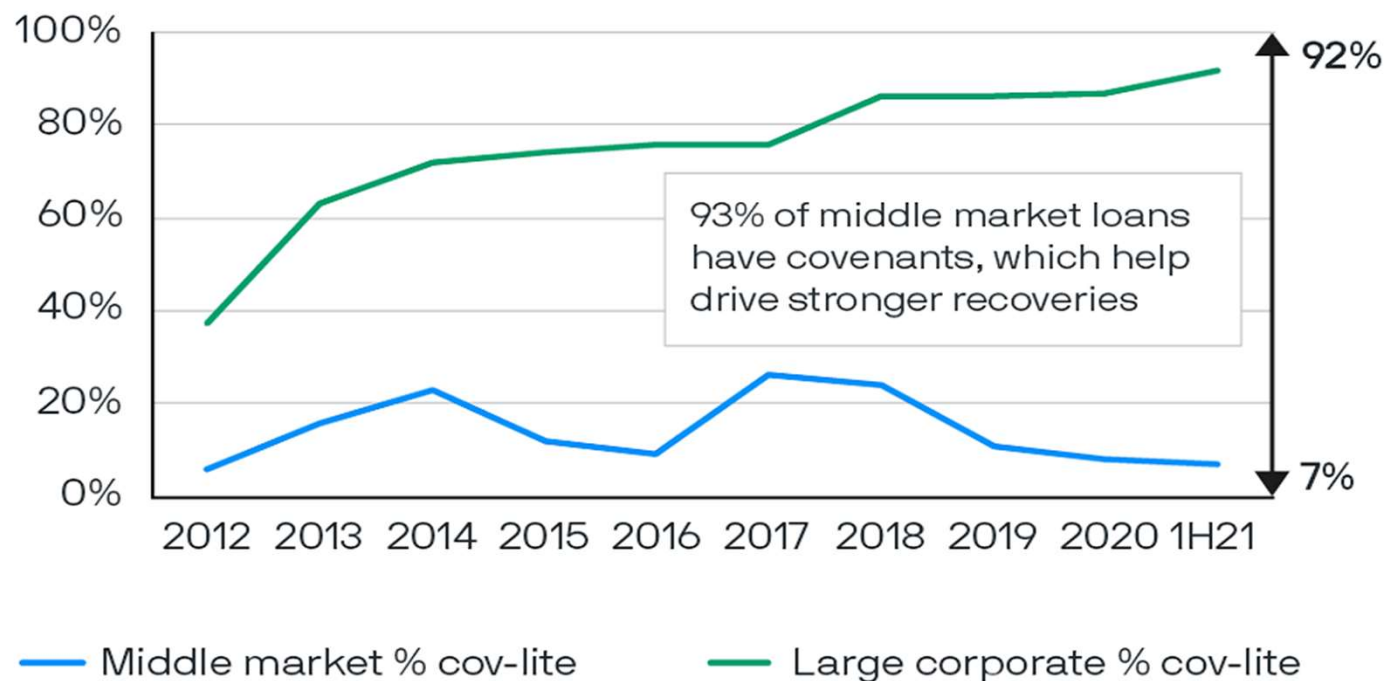
- Private Credit market nearing \$1T+
- Vast majority in U.S.
- Estimated \$350B+ in dry powder on the sidelines
- 2020 roughly \$160B raised, of which 10 large funds account for roughly 39% of assets raised, while in 2021 just 10 funds accounted for 42% of assets raised



1. Preqin Alternatives Data Base, September 2021.

U.S. PRIVATE CREDIT: A BORROWERS PARADISE

With managers flush with capital, borrowers have the advantage. A less competitive environment can permit lenders to more selective, and empower them to demand more security for their investment, including greater and more liquid collateral coverage



Source: S&P LCD Quarterly Leverage Lending Review; data as of June 30, 2021, and U.S. Middle Market Stats Historical; data as of September 31, 2021. Middle market: Syndicated loans for issuers with EBITDA less than or equal to USD 50 million. Syndicated loans: Loans for issuers with EBITDA of more than USD 50 million. Based on historical data. Average yield premium based on 2012-19 and 3Q 2021 data points (2020 data unavailable). Middle market % cov-lite represents sponsored and syndicated middle market loans. New issue yield for 3Q 2021 was estimated by applying 2019 yield premium (204 basis points) to the 2020 syndicated loan data point.

PRIVATE CREDIT: A GLOBAL PERSPECTIVE

Small and medium size enterprises are the backbone of the global economy

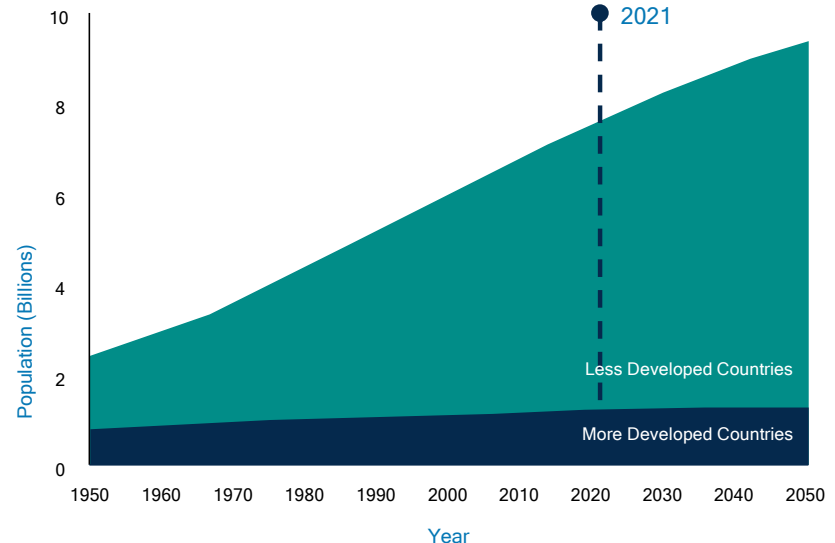
SMEs represent more than 90% of the business population

Micro- and small enterprises account for up to 70% of Global Employment

World Bank Group estimates, 600 million jobs will be needed by 2030 to absorb the growing global workforce, which make SME development a high priority of most governments around the world.

86% of the world's population lives in developing countries

World Population, 1950-2050²

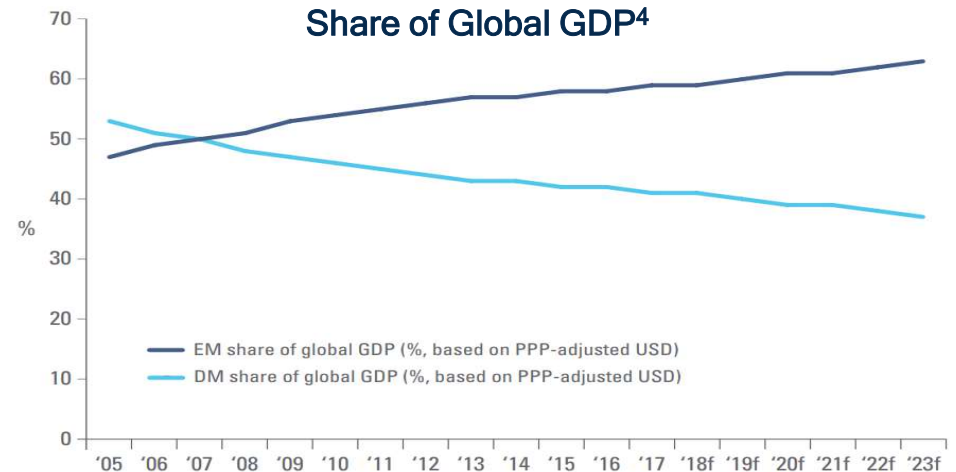


1) Source: Small and Medium Enterprises (SMEs) Finance. World Bank <https://www.worldbank.org/en/topic/sme/finance> 2) Source: Small matters - Global evidence on contributions to employment by the self-employed, micro enterprises and SMEs, ILO, 2019. 3) Source: World Population in 2018: Facts and numbers, CGTN, 2018 4) Source: Emerging Markets - Powerhouse of global growth, 2018. Ashmore 5) Source: IFC SME Banking Guide, 2010

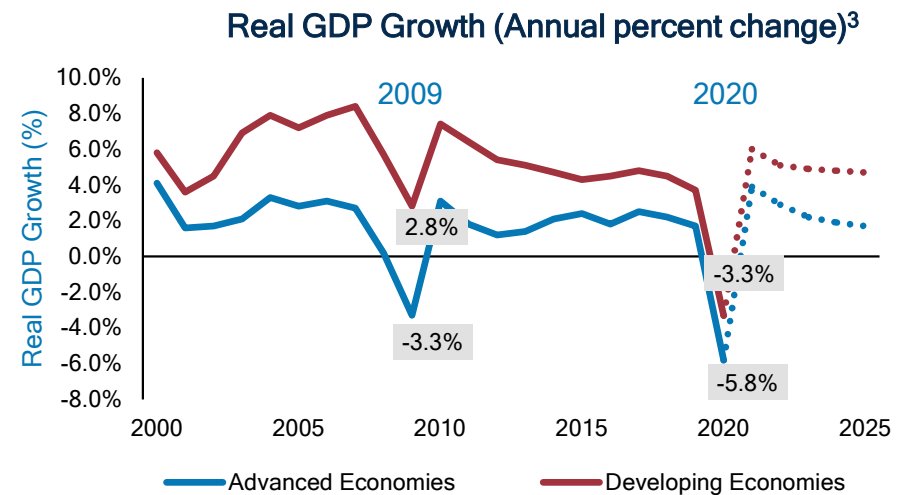
PRIVATE CREDIT: A GLOBAL OPPORTUNITY

“Emerging markets represent the biggest growth opportunity in the history of capitalism...

...by 2025, annual consumption in emerging markets will reach \$30 trillion.”¹



Source: Ashmore, IMF.



1) Source: McKinsey & Company, Winning the purchasing-power \$30 Trillion Decathlon, 2012 2) Source: United Nations Population Division, World Population Prospects, the 2012 Revision (Medium Variant). 3) Source: IMF World Economic Outlook, April 2018 Weighted by parity. Includes all historical IMF revisions to developing and advanced economy GDP growth figures + Projection.

COMMON MISPERCEPTIONS

Developing Economies are growth markets. With a variety of nuances, you can't paint the entire market with one brush. Each market needs to be looked at individually.

Common Misperceptions	Reality
Developing Economies = Emerging Markets	<ul style="list-style-type: none">▪ Technically, "Emerging Markets" refers only to the countries with some form of public stock / bond market; therefore Emerging Market investing typically refers to investing in public securities, which are often sovereign securities▪ "Developing Economies" can be differentiated as the Middle Income countries which have more established rule of law, sound monetary and fiscal policies, solid physical infrastructure and that are attractive for trade and investment
Risky and Volatile	<ul style="list-style-type: none">▪ That perception generally comes from investors of emerging market public securities▪ Private investments in private companies, reflects the real economy▪ No credit spread risk, not trading
Geopolitical Risk	<ul style="list-style-type: none">▪ Typically, geopolitical concerns revolve around default and expropriation▪ Want to invest in sovereign debt and avoid sectors with high levels of government involvement
Currency Risk	<ul style="list-style-type: none">▪ Look for loans that are 100% U.S. dollar denominated¹ as the majority of global trade is dollarized and the majority of borrowers should have a significant U.S. dollar revenue stream
"Fly-in" Investing	<ul style="list-style-type: none">▪ "Fly-in" investing does not work as investors need to understand the legal and regulatory jurisdictions to protect their investments▪ Firms should have some local experience in all economies where they invest:<ul style="list-style-type: none">○ Boots on the ground to help mitigate idiosyncratic local market risk

1) Principal balances and repayments are denominated in US dollars; interest payments on loans in Europe may have foreign currency exposure to the Euro.

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