



Antares Capital

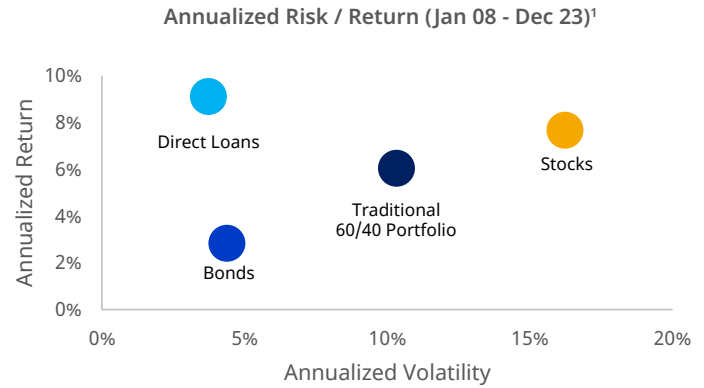
# The Current Opportunity In Private Credit

Private credit can be a powerful addition to a diversified portfolio, helping investors potentially achieve higher risk-adjusted returns while mitigating many of the risks inherent to traditional asset classes.

# A direct lending allocation has historically allowed investors to:

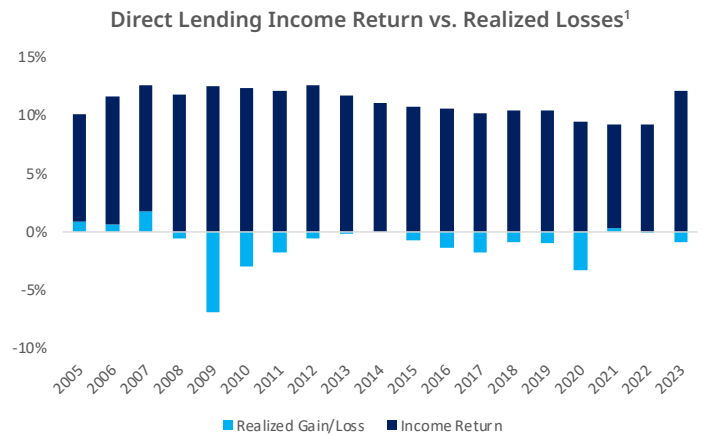
## Improve risk-adjusted performance

Direct lending has lower volatility and higher returns compared to traditional asset classes.



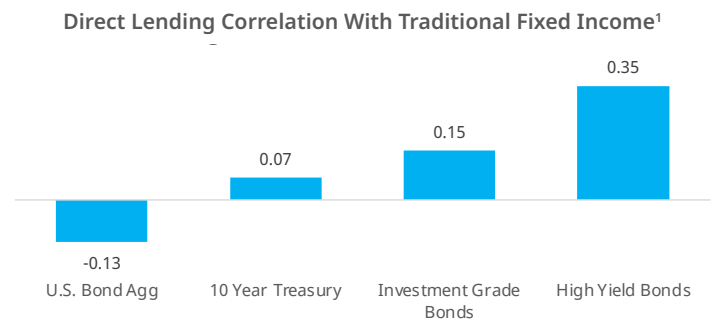
## Mitigate downside risks

Direct lending has delivered steady income with low realized losses. Since 2005, interest income has averaged 10.8% vs realized losses of 1.03%.<sup>1</sup>



## Reduce portfolio correlations

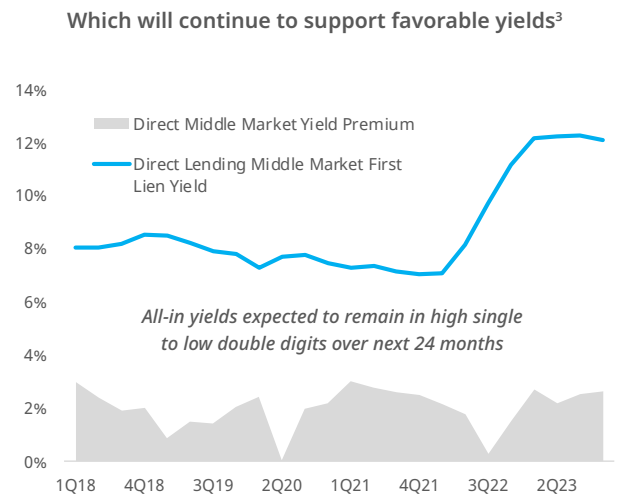
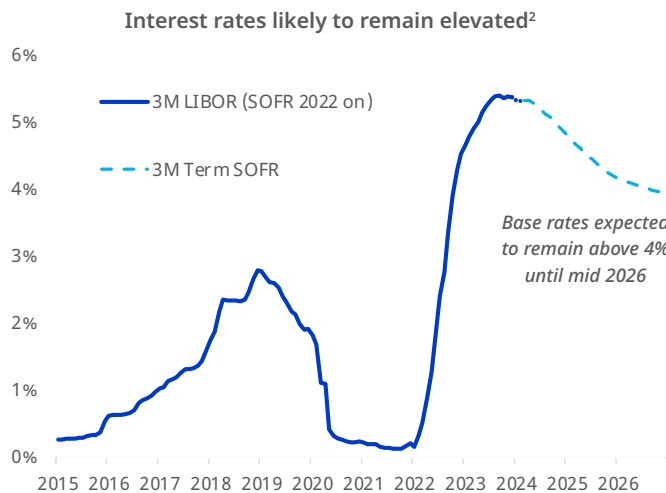
Direct lending has a very low correlation with traditional fixed income investments.



Benchmarks: Direct Loans = Cliffwater Direct Lending Index. U.S. Agg (Bonds) = Bloomberg Barclays U.S. Aggregate Bond Index. Stocks = S&P 500 Index. High Yield = Bloomberg Barclays U.S. High Yield Index. Investment Grade = Bloomberg Barclays U.S. Corporate Bond Index. All data as of December 31, 2023.

# “Higher For Longer” interest rates remain a favorable tailwind for direct lending performance

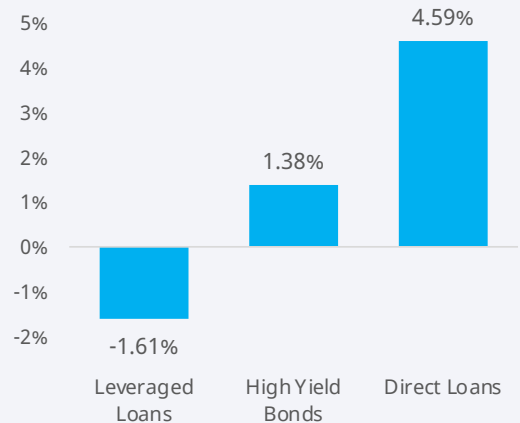
Current SOFR curve suggests a moderate decline in interest rates over the next 24 months. As a result, all-in yields may fall slightly, but are likely to remain attractive.



## Private Credit Historically Outperforms After The First Interest Rate Cut

Looking at performance two years after the first interest rate cut in the prior two cycles, private credit on average historically outperformed traditional fixed income.

Average Performance Two Years After The First Interest Rate Cut (2007 - 2021)<sup>4</sup>



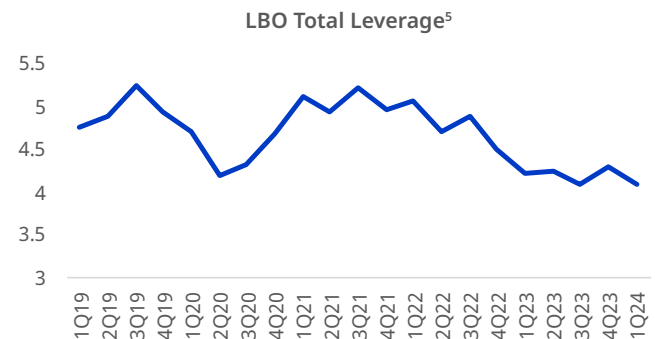
Benchmarks Direct Loans = Cliffwater Direct Lending Index. High Yield = Bloomberg Barclays U.S. High Yield Index. Leveraged Loans = Credit Suisse Leveraged Loan Index.

# Attractive yields and conservative capital structures create a constructive deployment backdrop

Recent private credit deals in the middle market are being underwritten with lower leverage, tighter documentation and larger equity cushions, potentially providing additional downside protection in periods of market stress.

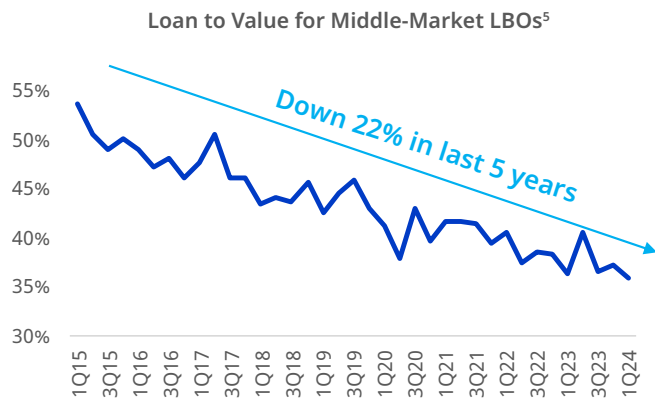
## Lower Leverage

Leverage for middle market direct lending buyout deals is close to the lowest levels on record.



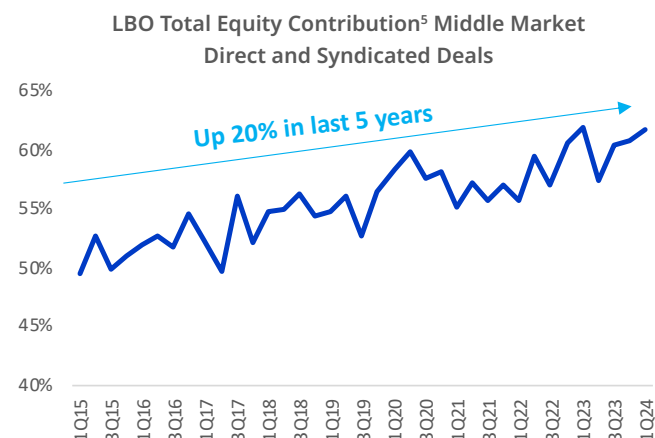
## Conservative Capital Structures

Loan-to-values for direct loans are at the lowest levels on record, which can lead to potentially better outcomes in a troubled situation.



## Strong Equity Cushions

Private equity firms continue to 'over equitize' deals to put capital to work leading to more favorable terms for direct lenders and sponsors with more 'skin' in the game.



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<sup>1</sup> Cliffwater LLC and Bloomberg as of December 31, 2023.

<sup>2</sup> Chatham Financial

<sup>3</sup> LSEG LPC

<sup>4</sup> Source: Cliffwater LLC and Bloomberg as of December 31, 2023. Easing periods are June 2007 – May 2009 and August 2019 – July 2021.

<sup>5</sup> LSEG LPC as of March 31, 2024.

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