



Canterbury Consulting

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Quarterly Asset Class Report Private Credit

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March 31, 2026

Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of private credit strategies designed to (in aggregate):

- Preserve capital and mitigate volatility
- Provide measured exposure to the diverse universe of the middle market economy
- Exhibit returns with lower correlation to equity markets

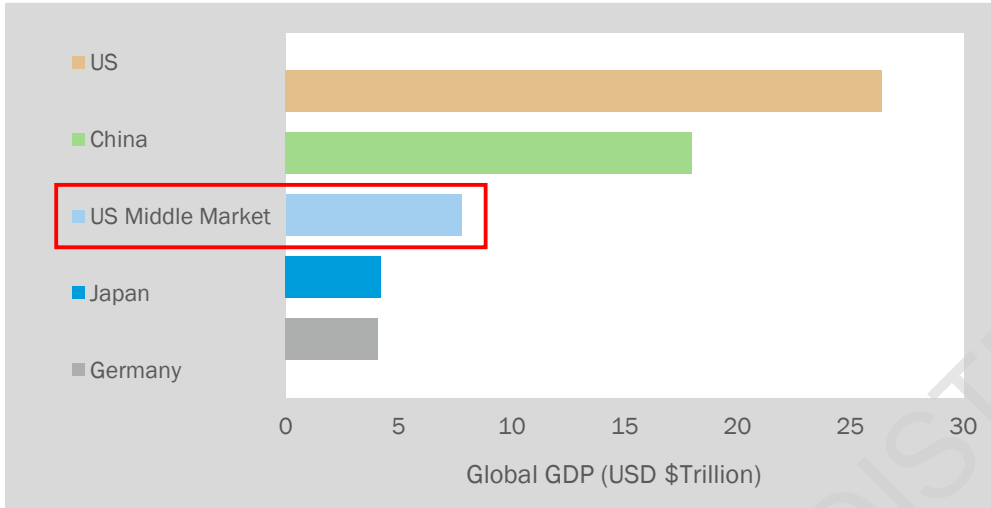
Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	Fixed Income, Hedge Funds, Private Credit	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

- Canterbury private credit portfolios are set up with a goal to deliver consistent net-of-fees excess returns versus a 50/50 benchmark of the Morningstar Leveraged Loan Index and Bloomberg High Yield Corporate Credit Index.
- Canterbury’s current private credit portfolios consists of diversified private credit strategies across corporate lending and asset-based lending to borrowers in various GICS sectors.

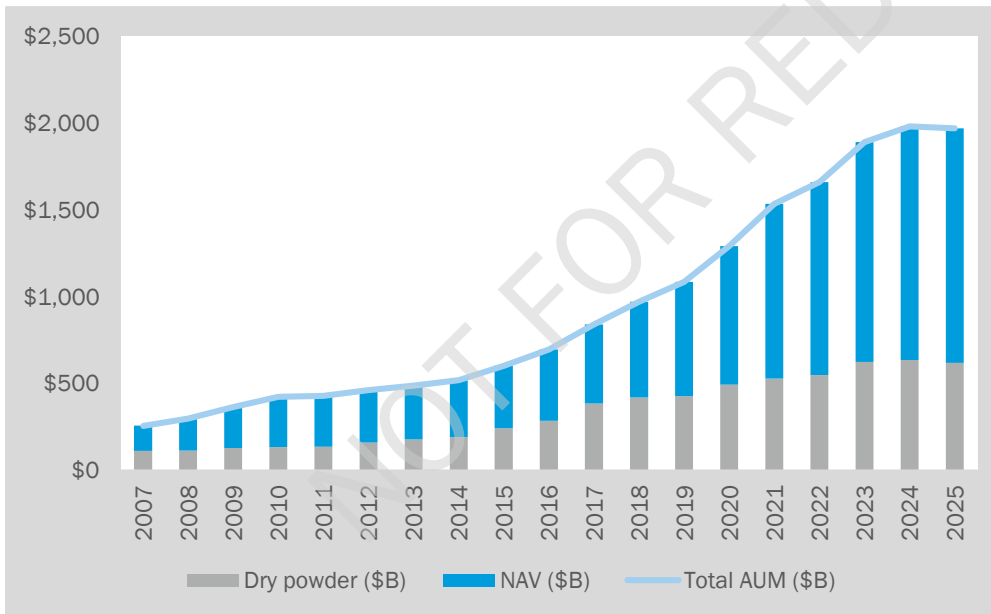
The Private Credit Opportunity

Private Credit

Size of Global Economies (GDP)¹



Size of Private Credit Market (\$B)²

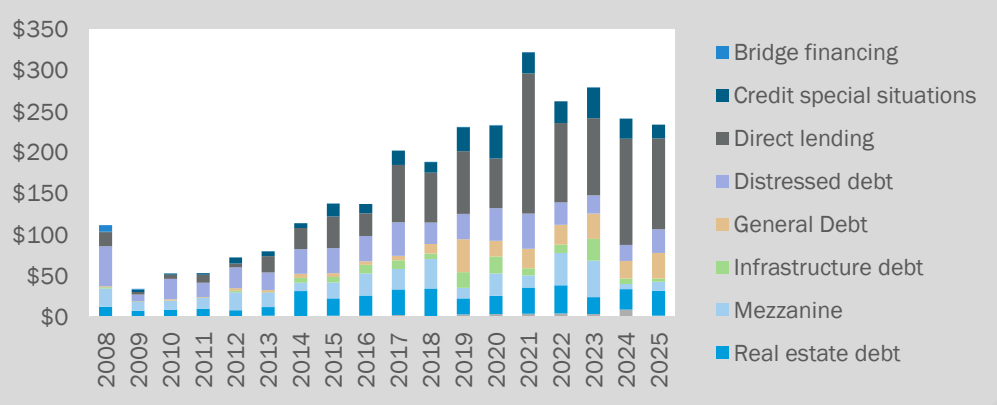


- From a GDP perspective, the U.S. middle market segment ranks as the third-largest economy in the world.
- Approximately 200,000 businesses classified in the middle market contribute to one-third of the private sector GDP.
- The private credit asset class has grown considerably since the Global Financial Crisis, exceeding \$1.9 trillion through the second quarter of 2025, up from \$300 billion in 2008.
- Over the last three years, total dry powder has exceeded \$600 billion, compared to approximately \$200 billion a decade ago. Total dry powder reached an all-time-high in 2024, scaling back marginally through the second quarter of 2025.
- The asset class has continued to grow as banks have scaled back lending activity due to changes in capital ratio requirements, which continue to be worked through and finalized – also known as the Basel III Endgame – allowing non-bank lenders to step in and fill the gap.

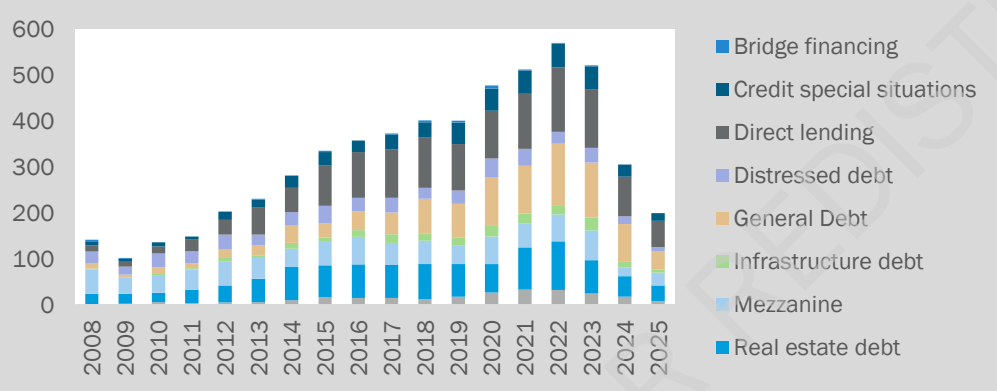
Source: 1) National Center for the Middle Market and World Bank Data as of 12/31/2022. 2) Pitchbook Data as of 6/30/2025.

Private Credit Activity

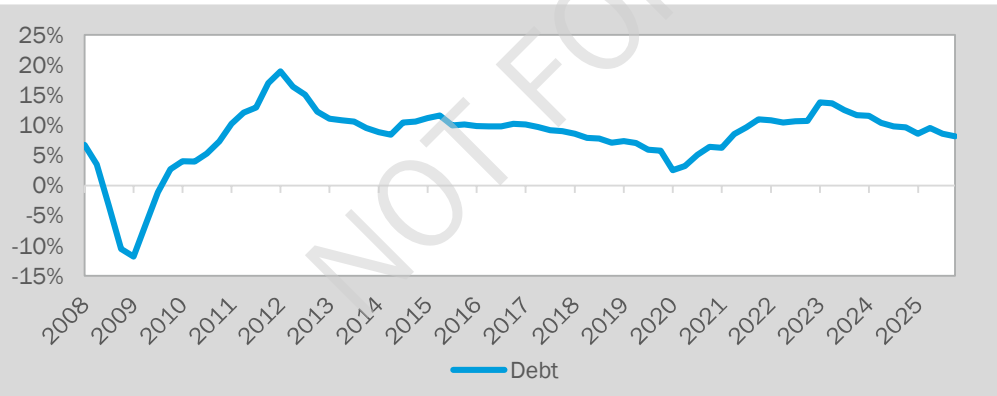
Fundraising by Strategy (\$B)¹



of Funds Launched by Strategy¹



Rolling 3-Year Pooled IRR (%)²



Private Credit

- Direct lending led private debt fundraising in 2025 with \$110.8 billion in capital raised, falling short of 2024 fundraising by approximately \$20 billion.
- General debt and real estate debt strategies raised the second and third most capital in 2025 (\$30.8B and \$30.3B, respectively), meaningfully eclipsing fundraising totals for the same types of strategies in 2024.
- Distressed debt strategies exhibited the largest average fund size raised in 2025 with an average size of \$2.9 billion per fund.
- The private debt rolling 3-year IRR fell from 2023 levels due to a combination of lower base rates and weaker performance within distressed and venture debt strategies. Prolonged elevated base rates have continued to create stress on the balance sheets of companies that were optimized for a low-rate environment.

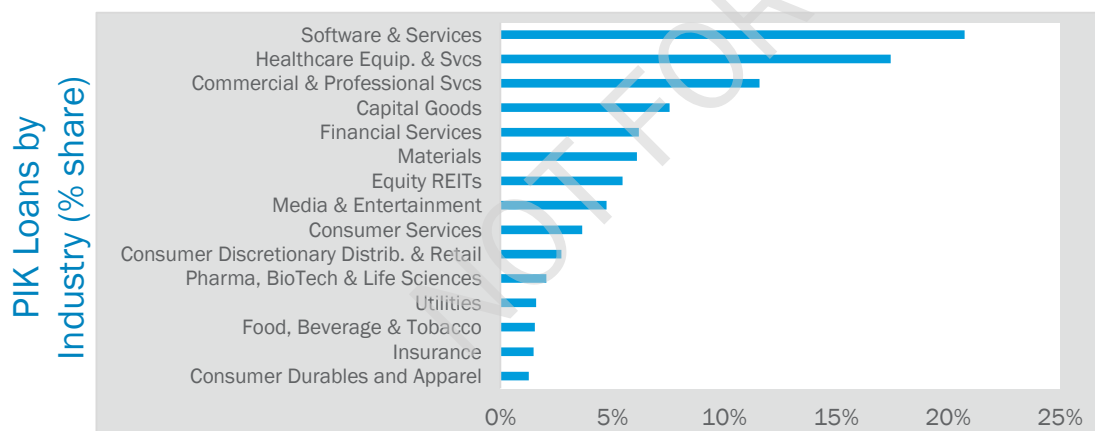
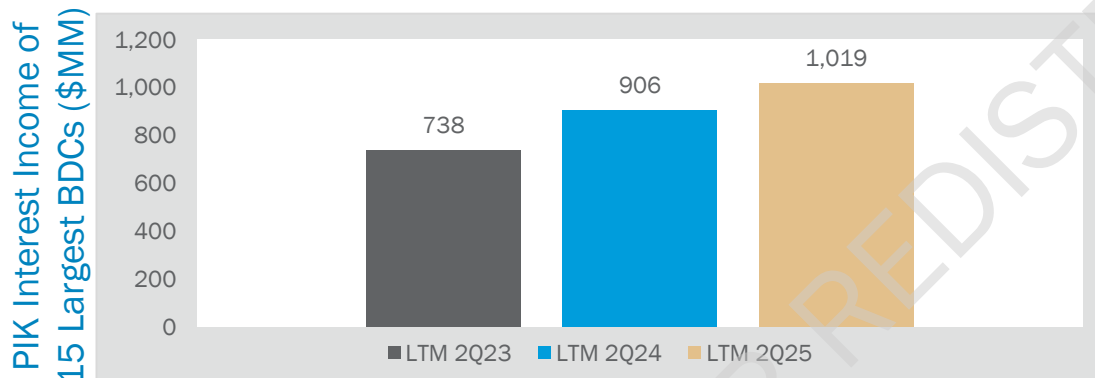
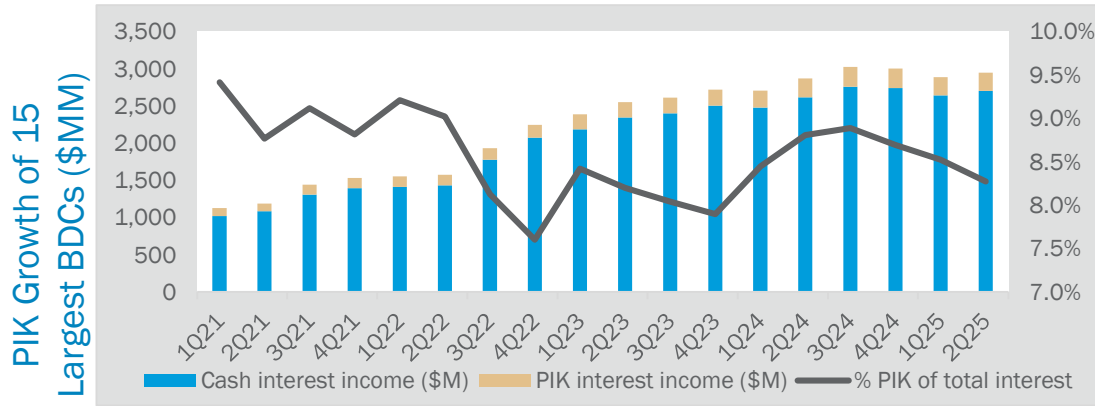
Source: Pitchbook

1) Private AUM and fund count data as of 12/31/2025.

2) Rolling 3-Year IRR data as of 12/31/2025. Debt includes the aggregation of general debt, venture debt, infrastructure debt, real estate debt, bridge financing, mezzanine debt, credit special situations, direct lending, and distressed debt as defined by Pitchbook.

Private Credit PIK Activity

Private Credit



- Payment-in-kind (PIK) features allow private credit borrowers to defer regular interest payments, generally by adding interest payments to the loan principal.
- PIK interest income (the amount of deferred interest added to loan principal) for the 15 largest Business Development Companies (BDCs) accounted for 8.3% of total interest income in the second quarter of 2025.
- PIK interest income for these BDCs has increased by 38% over the past two years (as of 2Q25) and by 13% year-over-year.
- The software & services sector represents the largest share of PIK loans, followed by healthcare equipment & services.
- With base rates remaining elevated over the past two years, corporate borrowers have faced rising interest costs, prompting negotiations with lenders to pay a portion of interest in the form of PIK loans.
- PIK loans are often viewed as a way to extend the runway for borrowers who are cash-constrained or waiting for an opportunity to refinance at lower costs.

Sources: Pitchbook LCD Data as of 6/30/2025