



CanterburyConsulting

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## Quarterly Asset Class Report Private Credit

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March 31, 2025

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

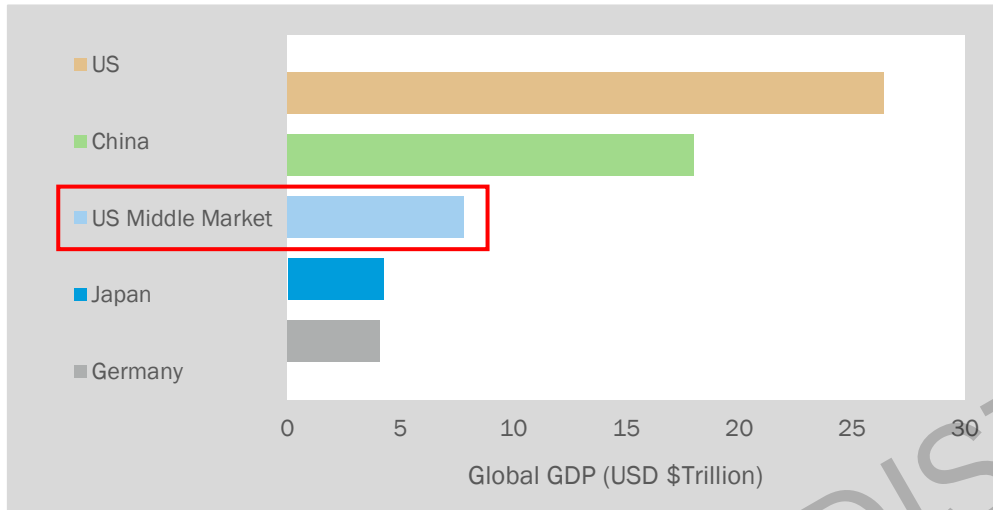
Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	Fixed Income, Hedge Funds, Private Credit	Rising Interest Rates, Highly Correlated Markets
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

- 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.

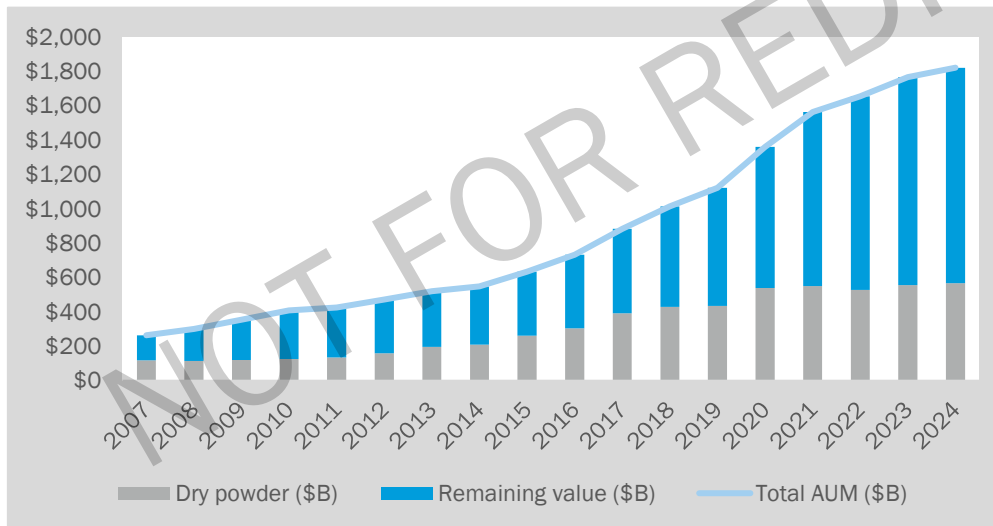
# The Private Credit Opportunity

## Private Credit

Size of Global Economies (GDP)<sup>1</sup>



Size of Market (\$B)<sup>2</sup>

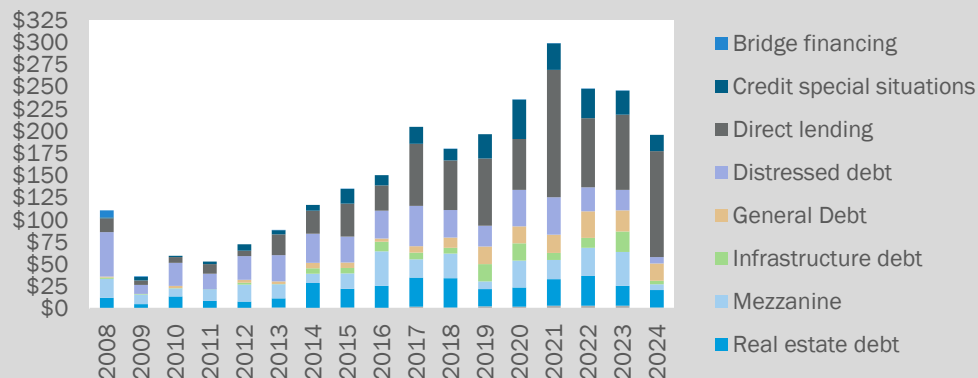


- From a GDP perspective, the U.S. middle market segment ranks as the third-largest economy in the world.
- Approximately 200,000 businesses classified in the middle market contribute to one-third of the private sector GDP.
- The private credit asset class has grown considerably since the Global Financial Crisis, reaching \$1.8 trillion by the second quarter of 2024, up from \$300 billion in 2008.
- Over the last four years, dry powder has fluctuated between \$525 and \$570 billion, compared to approximately \$200 billion a decade ago. Total dry powder as of end of the second quarter of 2024 reached an all-time-high.
- 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.

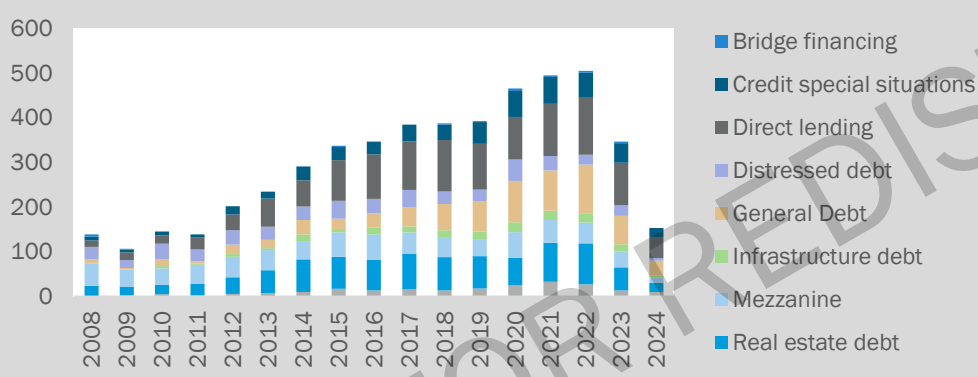
Source: 1) National Center for the Middle Market and World Bank Data as of 12/31/2022. 2) Pitchbook Data as of 6/30/2024

## Private Credit Activity

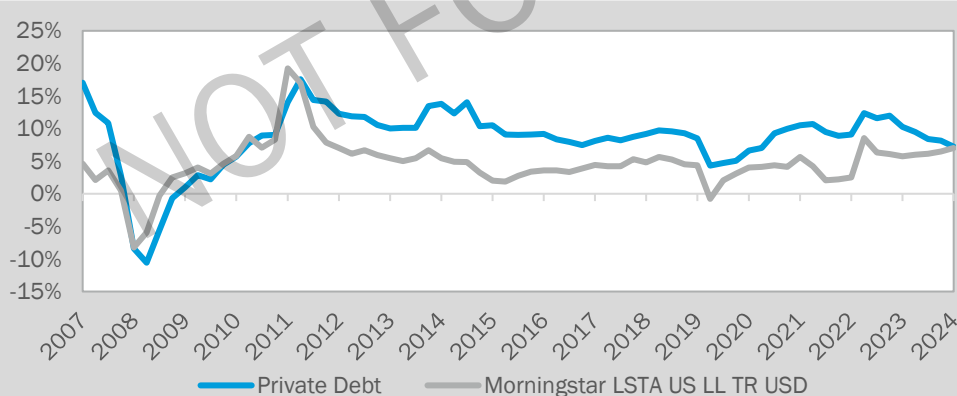
Fundraising by Strategy<sup>1</sup>



# of Funds Launched by Strategy<sup>1</sup>



Rolling 3-Year Pooled IRR (%)<sup>2</sup>



## Private Credit

- Direct lending led overall private debt fundraising activity in 2024, reaching just over \$119 billion. Direct lending fundraising in 2024 materially surpassed fundraising activity in 2023 and 2022.
- Direct lending strategies have also exhibited the largest fund sizes across various debt categories, with an average fund size of \$2.5 billion.
- Real estate lending strategies raised the second-most capital in 2024, with approximately \$20 billion raised and an average fund size just below \$1 billion.
- 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 12/31/2024.

2)Rolling 3-Year IRR data as of 12/31/2024. 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.

