Quarterly Asset Class Report
Private Credit

December 31, 2024

canterburyconsulting.com

Role in the Portfolio

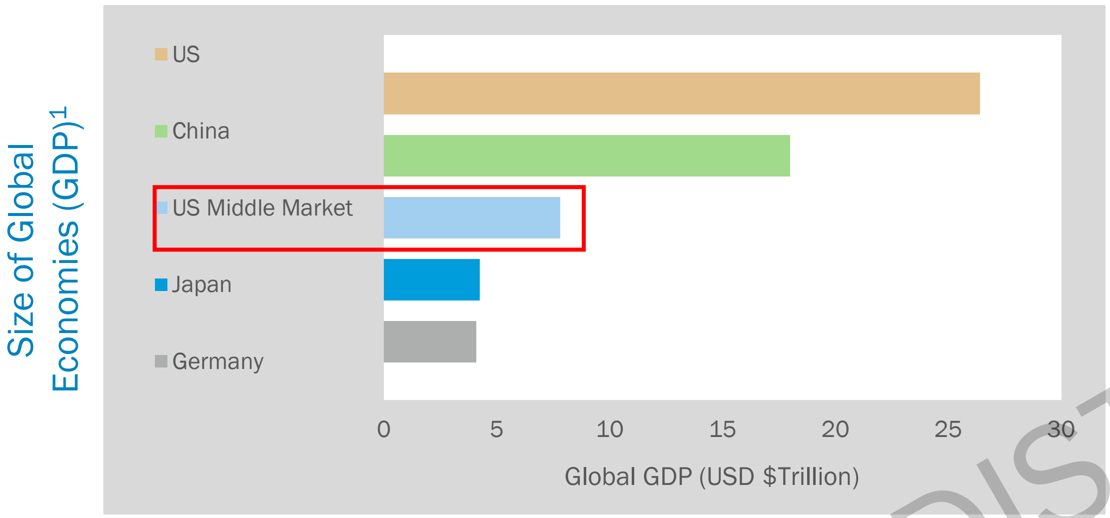
Canterbury Consulting recommends and communicates asset-class strategy with the objective of constructing a diversified portfolio of private credit strategies designed to (in aggregate):

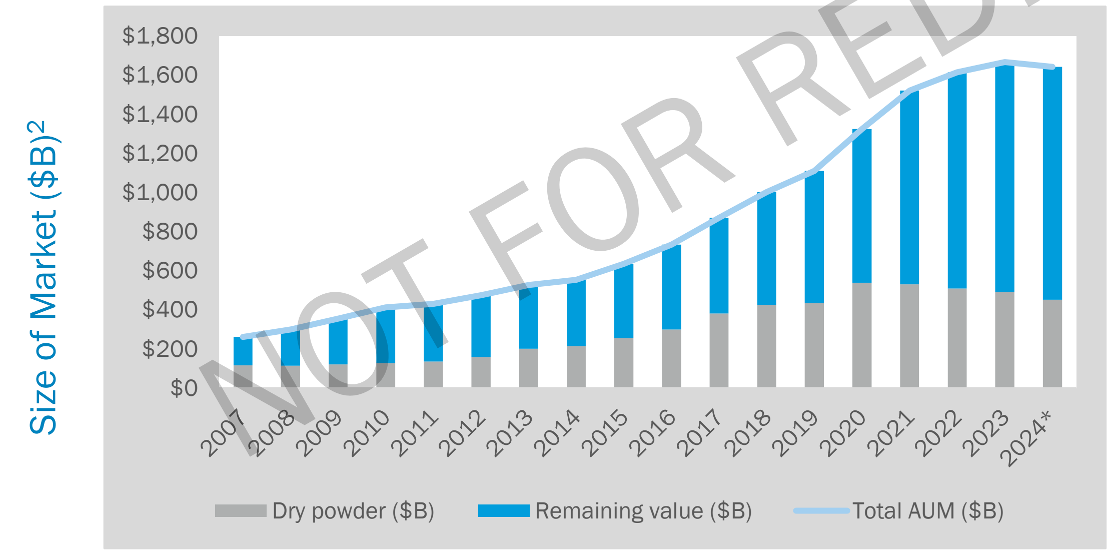
- Preserve capital and mitigate volatility
- Provide measured exposure to the diverse universe of the middle market economy
- Exhibit returns with lower correlation to equity markets

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

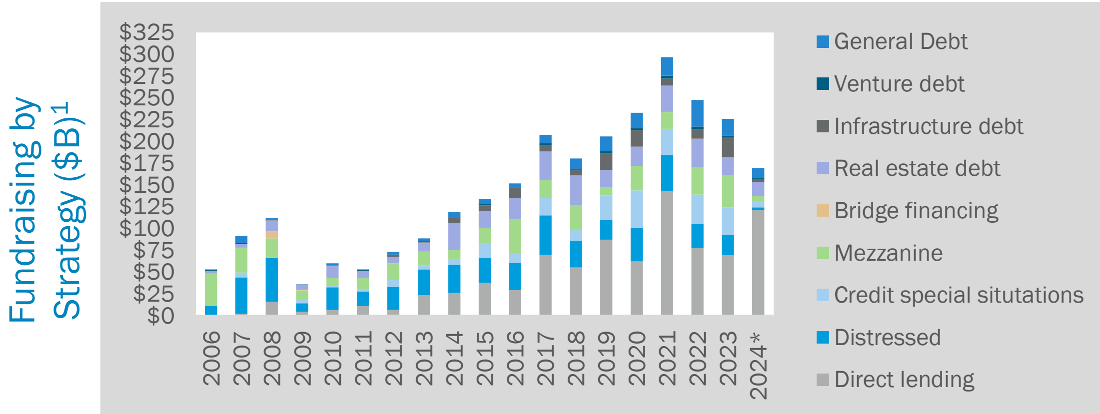


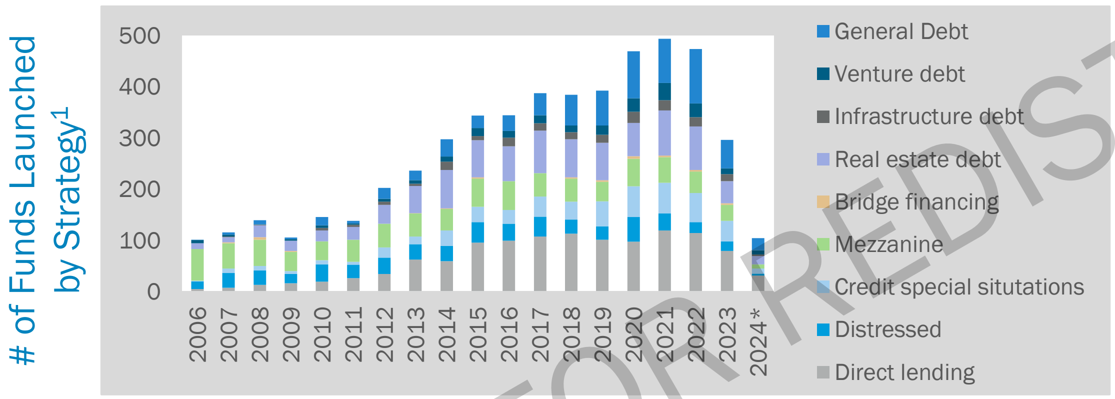


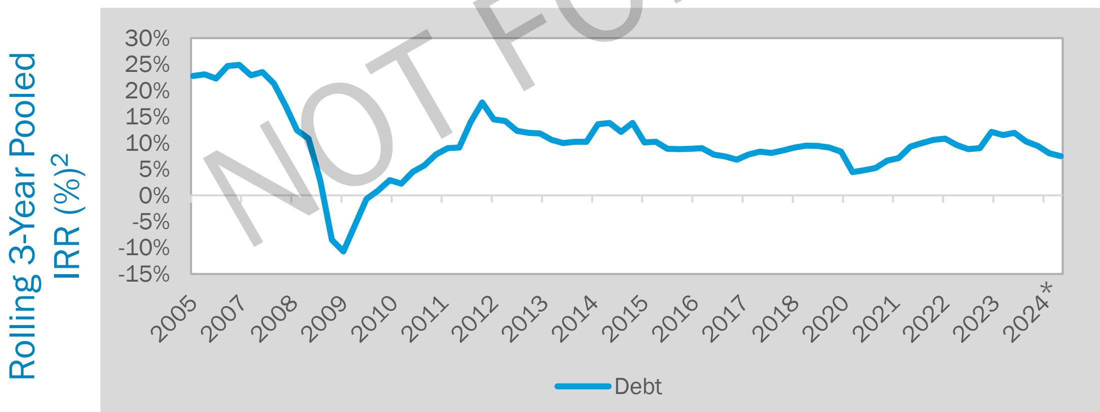
- From a GDP perspective, the U.S. middle market segment ranks as the third-largest economy in the world.
- Approximately 200,000 businesses classified in the middle market contribute to one-third of the private sector GDP.
- The private credit asset class has grown considerably since the Global Financial Crisis, reaching $1.6 trillion by the first quarter of 2024, up from $300 billion in 2008.
- Over the last four years, dry powder in private credit has fluctuated between $450 billion and $550 billion, compared to approximately $200 billion a decade ago.
- 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 3/31/2024.

Private Credit Activity







- Direct lending led overall private debt fundraising activity in 2024 as of end of the third quarter, reaching $121 billion. Direct lending in 2024 has thus far outpaced 2023 and 2022 fundraising activity.
- Direct lending strategies have also exhibited the largest fund sizes across various debt categories, with an average fund size of $3.8 billion.
- Real estate lending strategies raised the second-most capital as of end of September 2024, with approximately $16 billion raised and an average fund size slightly north of $1 billion.
- The private debt rolling 3-year IRR ranged from 10–13% throughout 2023 as base rates moved higher but dipped to 7.5% by the end of Q3 2024. Prolonged elevated base rates have created 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 9/30/2024.
2)Rolling 3-Year IRR data as of 9/30/2024. 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.