CanterburyConsulting

Quarterly Asset Class Report
Private Credit

canterburyconsulting.com

June 30, 2026

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):

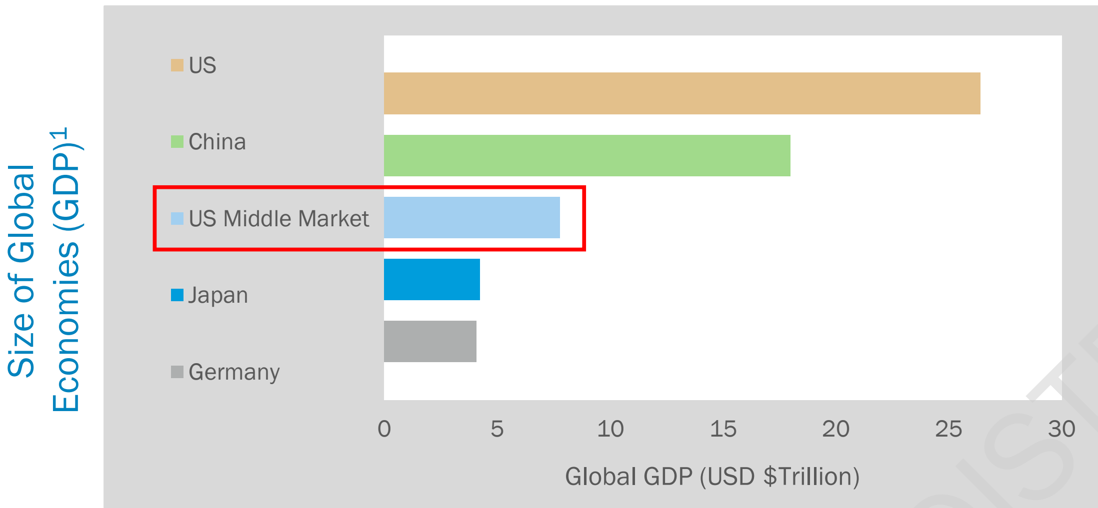
- Preserve capital and mitigate volatility
- Provide measured exposure to the diverse universe of the middle market economy
- Exhibit returns with lower correlation to equity markets

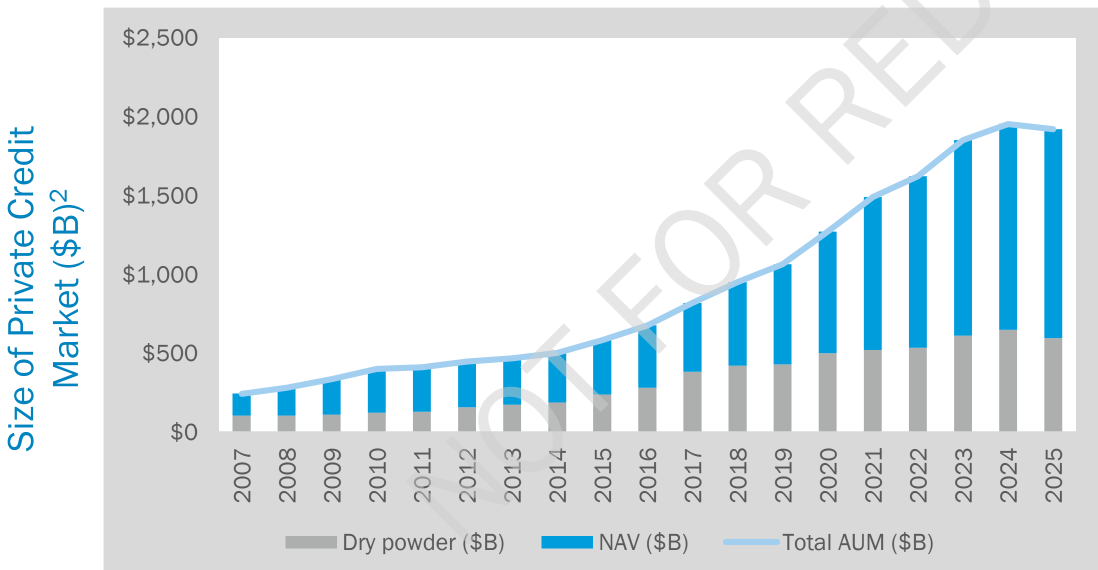
Role	Asset Categories	Risks
Growth	Public and Private Equity	Market Decline
Capital Preservation	**Fixed Income, Hedge Funds, Private Credit**	**Rising Interest Rates, Highly Correlated Markets**
Inflation Protection	Real Assets: Real Estate, Commodities	Deflation

- 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

Private Credit



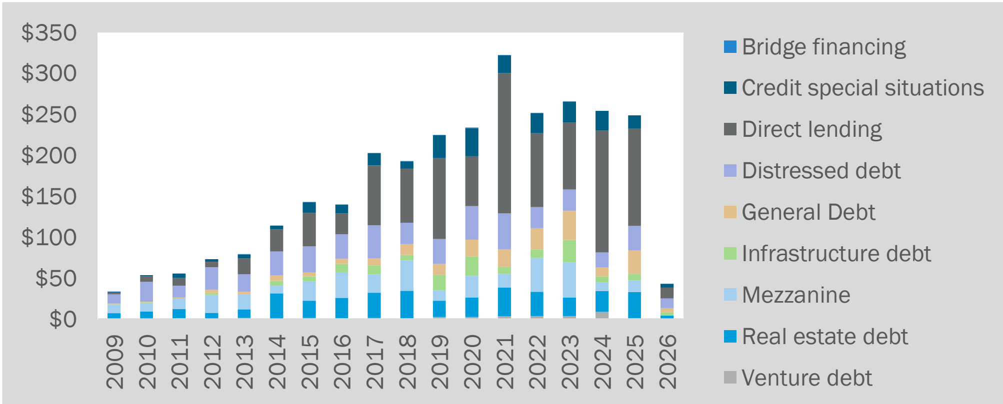


- From a GDP perspective, the U.S. middle market segment ranks as the third-largest economy in the world.
- Approximately 200,000 businesses classified in the middle market contribute to one-third of the private sector GDP.
- The private credit asset class has grown considerably since the Global Financial Crisis, exceeding $1.9 trillion through the third quarter of 2025, up from approximately $300 billion in 2008.
- Over the last three years, total dry powder has fluctuated around $600 billion, compared to approximately $250 billion a decade ago. Total dry powder reached an all-time-high in 2024, scaling back materially through the third 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.

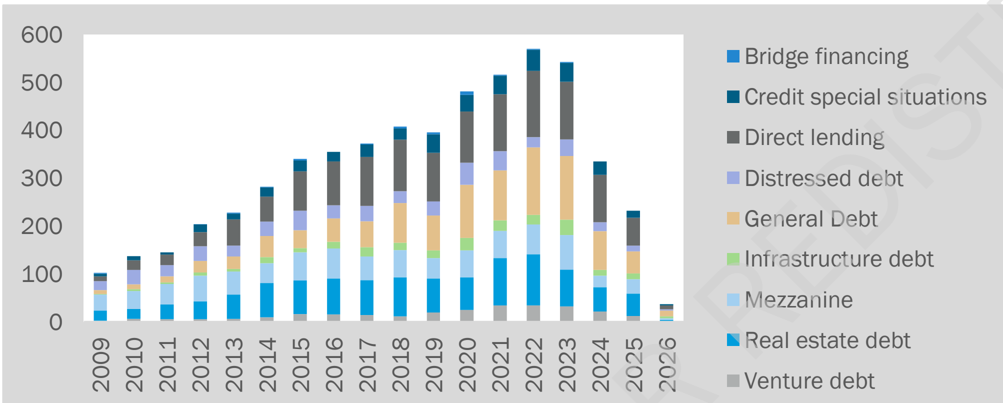
Source: 1) National Center for the Middle Market and World Bank Data as of 12/31/2022. 2) Pitchbook Data as of 9/30/2025.

Private Credit Activity

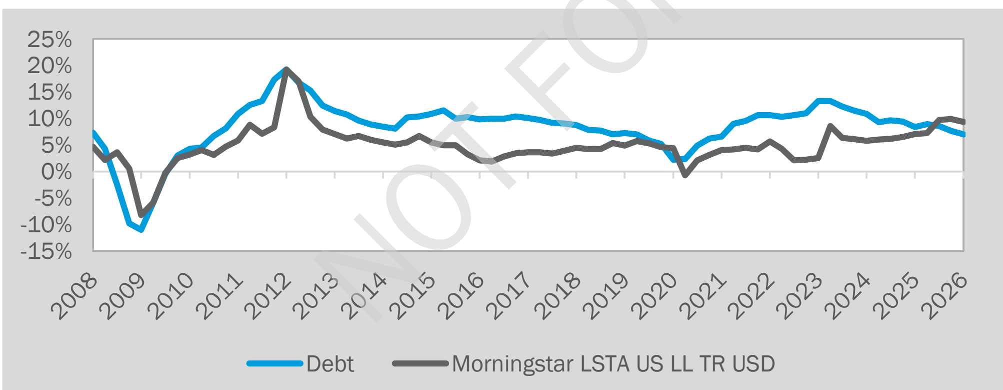
Fundraising by Strategy ($B)[1]



# of Funds Launched by Strategy[1]



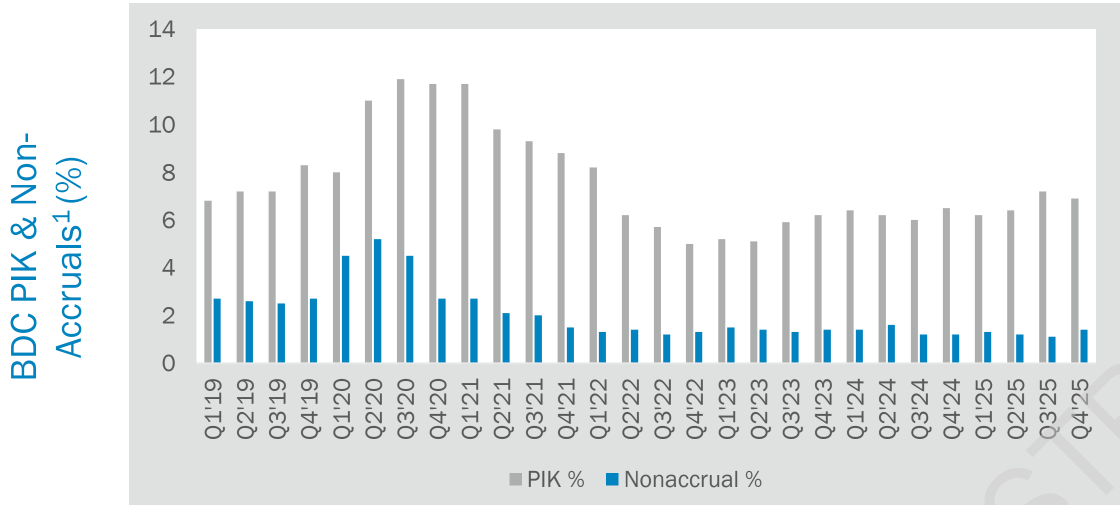
Rolling 3-Year Pooled IRR[2]

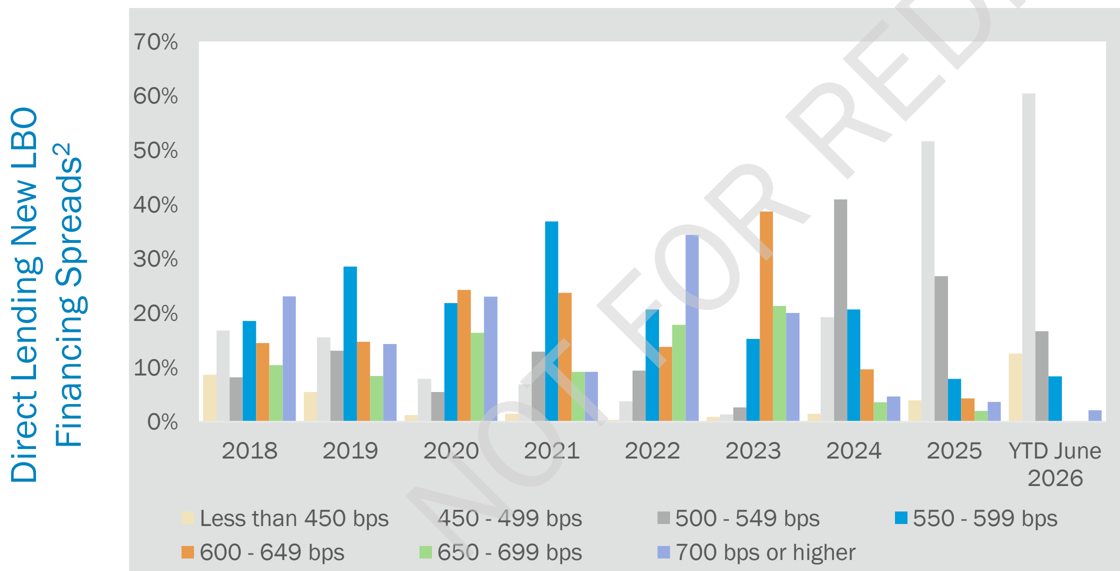


- Direct lending has led private debt fundraising through the first quarter of 2026 with $13.4 billion in capital raised, falling short of fundraising through the same period in 2025 by approximately $14 billion.
- Distressed debt strategies raised the second most capital in the first quarter ($11.6B), also falling behind the pace of fundraising for the same types of strategies in 2025.
- Distressed debt strategies exhibited the largest average fund size raised in the first quarter with an average size of $3.9 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 3/31/2026.
2) Rolling 3-Year IRR data as of 3/31/2026. 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.

PIK, Non-Accruals, & Loan Valuations





- PIK income across listed BDCs decreased from 7.2% to 6.9% in the fourth quarter of 2025, while non-accruals increased from 1.1% to 1.4% during the same period. Despite the increase, both non-accruals and PIK income remain broadly in line with pre-COVID levels.
- The majority of direct lending transactions recorded have remained within a spread range of 450 to 499 basis points throughout 2025 and the first quarter of 2026, representing the tightest market conditions since PitchBook began tracking the data.
- Tight spreads are generally the result of subdued M&A activity in the private markets, coupled with elevated levels of dry powder across both private equity and private credit.

1) Source: Advantage Data as of May 3, 2026. Reflects PIK income as a percentage of total interest income for BDCs; reflects the cost of nonaccrual investments as a percentage of total portfolio cost for BDCs tracked by Advantage Data.
2) Source: PitchBook | LCD • Geography: US as of June 30, 2026.