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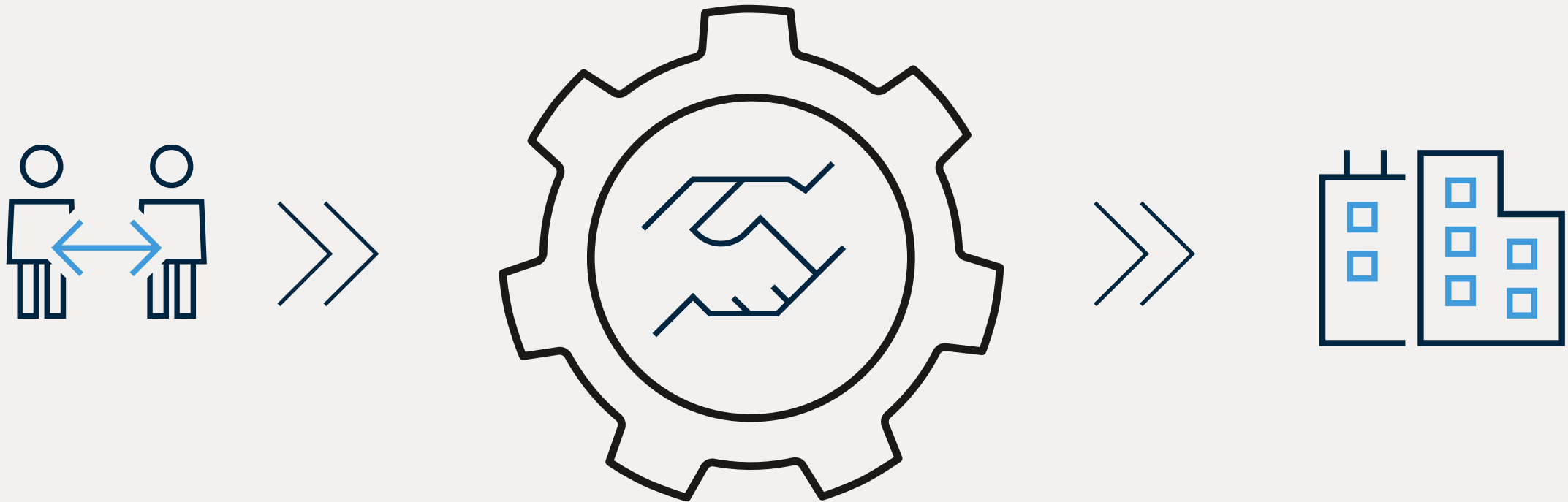
Private Credit: Opportunity Rising





What is private credit?

Origination of a bilateral loan without a traditional intermediary connecting the borrower directly to the private (non-bank) lender.





Common private credit strategies

Direct Lending	Mezzanine Financing	Asset-backed Lending	Opportunistic Lending	Distressed Debt
Senior debt issued to founder-owned or private equity owned businesses, often to assist with growth capital.	Junior debt situated between senior debt and equity, often used to finance leveraged buyouts, recapitalizations and corporate acquisitions.	Specialty lending where the loan is collateralized by the company’s assets, cash or receivables.	Lending to performing companies with acute financing needs (e.g., liquidity or maturities).	Discounted financing to companies facing financial distress, such as possible insolvency, or bankruptcy.
Example	Example	Example	Example	Example
Flexible financing solution to private equity sponsor firm to support its acquisition of a personal-care products company	Founder-owned tech firm seeking to expand obtains financing that includes a combination of interest payments and convertible warrants	A bespoke loan to a dental device company secured by the company’s existing inventory and proprietary manufacturing equipment	First lien term “rescue” loan to an energy company with long-term stability that has been temporarily impacted by cyclical headwinds	Lender helps fundamentally sound retail company with bad balance sheet emerge successfully from bankruptcy restructuring

What sparked the
sharp rise in private credit
lending?

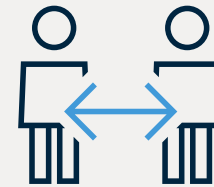


Answer: Increased regulation caused by the Global Financial Crisis (GFC)



Pre-GFC

- Banks had faced fewer regulations, making loans of all sizes.
- Private credit was focused on higher-risk mezzanine, distressed and opportunistic loans.



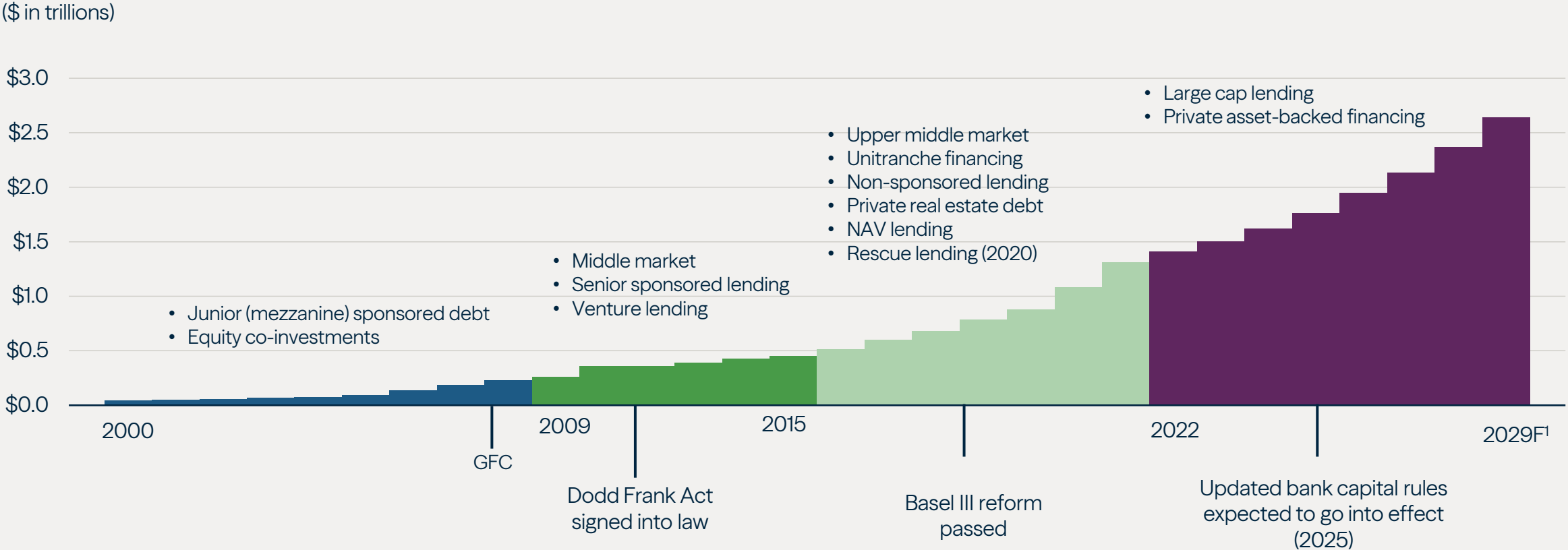
Post-GFC

- Increased regulation now limits banks' abilities to conduct certain lending activities.
- Banks focus on largest borrowers.
- Small to mid-size companies rely on private credit.
- Private credit's high-risk reputation no longer applies.



Regulations are driving private credit market growth

And the Range of Private Credit Solutions has also Increased



There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here.

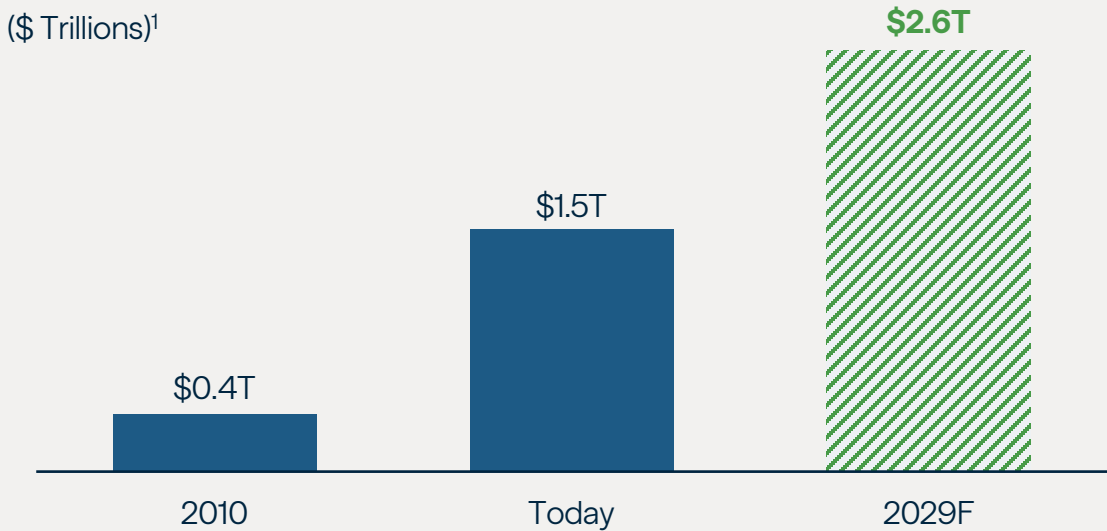
1. Based on assumption that Global Private Credit will grow at a compound annual growth rate of 9.88% (Preqin's projected growth rate for global private credit) between 2023 and 2029 (forecasted). Source: Preqin 2025 Global Report: Private Debt, December 2024.



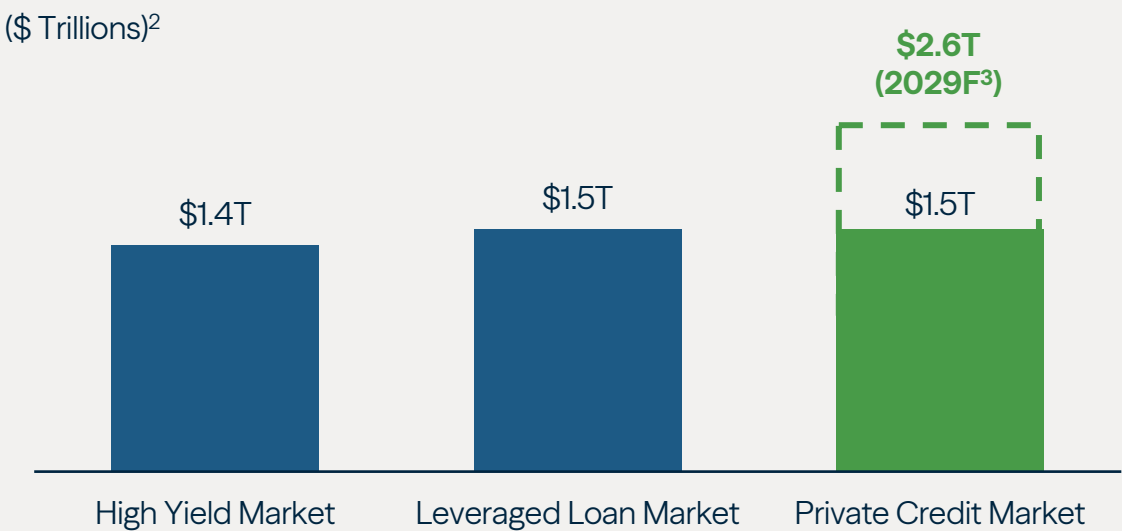
Private credit will soon be the largest source of corporate lending

Private credit funds enable individual investors to participate in this large, growing market.

Significant Private Credit Expansion Post-GFC



Liquid and Private Debt Outstanding



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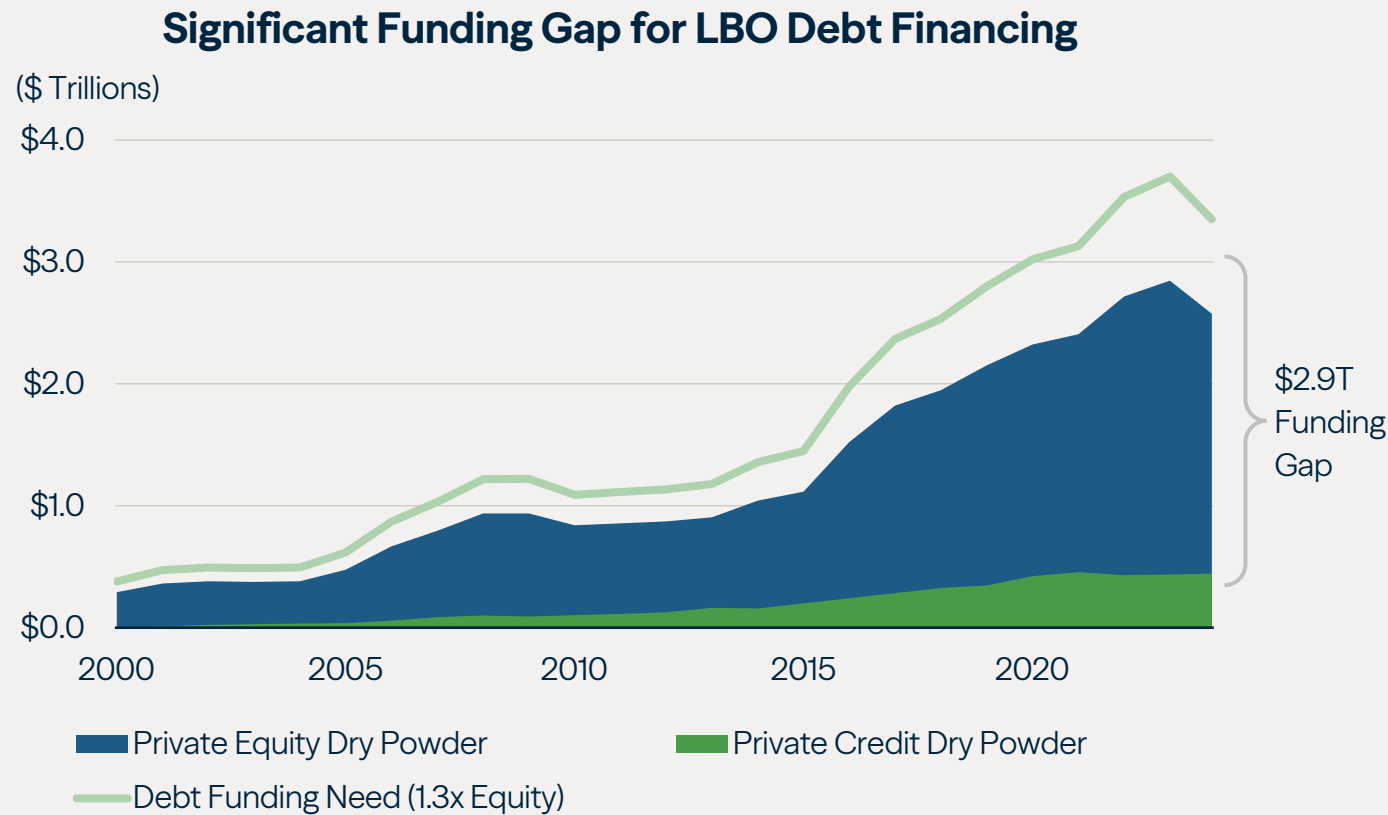
1. Source: Preqin 2025 Global Report: Private Debt, December 2024.

2. Source: High Yield Market represented by ICE BofA Merrill Lynch U.S. High Yield U.S./CAD Issue Constrained Index and Leveraged Loan Market by S&P UBS Leveraged Loans Index as of March 31, 2025; Private Credit Market represented by Preqin Private Debt Index (Preqin 2025 Global Report: Private Debt, December 31, 2024).

3. Based on assumption that Global Private Credit will grow at a compound annual growth rate of 9.88% (Preqin's projected growth rate for global private credit) between 2023 and 2029 (forecasted).

Opportunities remain abundant

Record amounts of private equity dry powder underscores potential demand for debt financing.



Concerns About Saturation do not Apply

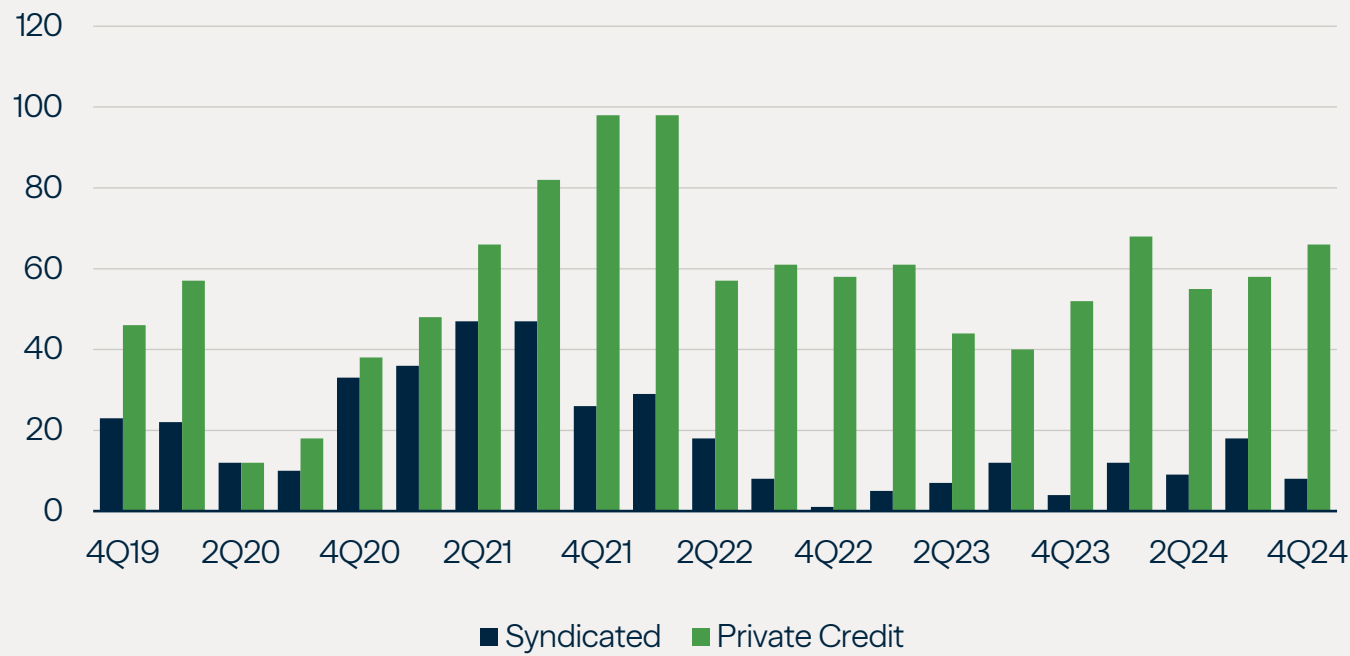
- Private equity sponsors often use debt to finance their acquisitions—serving as a large source of demand for private credit
- Dry powder levels indicate private equity sponsors have huge stores available to deploy into future deals and transactions
- Private lenders continue to capture market share due to speed, certainty of execution, and the ability to potentially extend large amounts to a variety of borrowers

There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here. Source: Preqin, Bloomberg, Pitchbook LCD. As of September 30, 2024.



Robust originations outpace banks by a wide margin

Syndicated Banks vs. Private Credit Lenders (# Deals)



Why have Bank Originations Stalled?

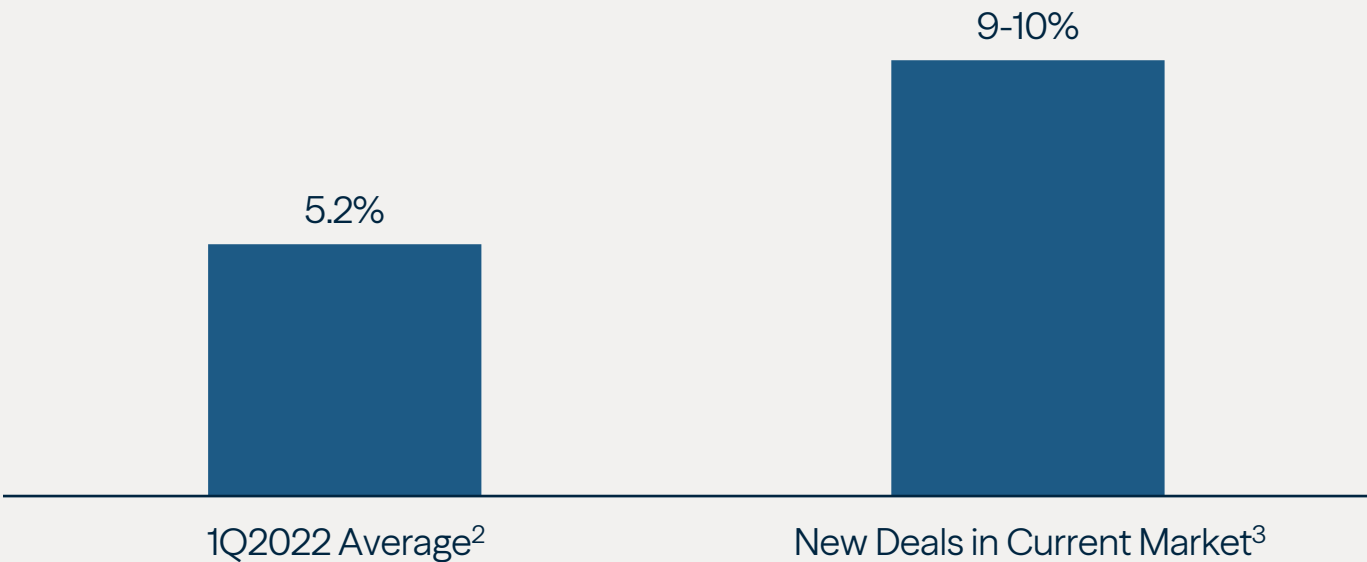
- >> Losses from “hung” loans¹ deteriorated banks’ risk appetite
- >> Increased regulatory scrutiny
- >> Unreliability within traditional capital markets

1. A “hung” loan is a loan held by a bank that has lost value due to an increase of interest rate/interest rate spreads since the loan was underwritten and sold. A bank often needs to sell the loan at a discount in order to offload the loan from its balance sheet.
Source: Pitchbook LCD, as of December 31, 2024.



Attractive yields suggest healthy long-term investment potential

Current Yields¹ are About 2x the 2022 Average



What's Behind the Increase in Average Yields?

- >> Historically elevated interest rates
- >> Wider spreads reflect tighter underwriting standards
- >> Bank retrenchment has shifted pricing power to private lenders

There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here.
1. Yield to Maturity. Yield to maturity is a concept used to determine the rate of return an investor will receive if a long-term, interest-bearing investment is held to its maturity date.
2. Represents companies with EBITDA of \$50 million or more
3. Based on Oaktree market observations.
Source: Pitchbook LCD, as of September 30, 2024.

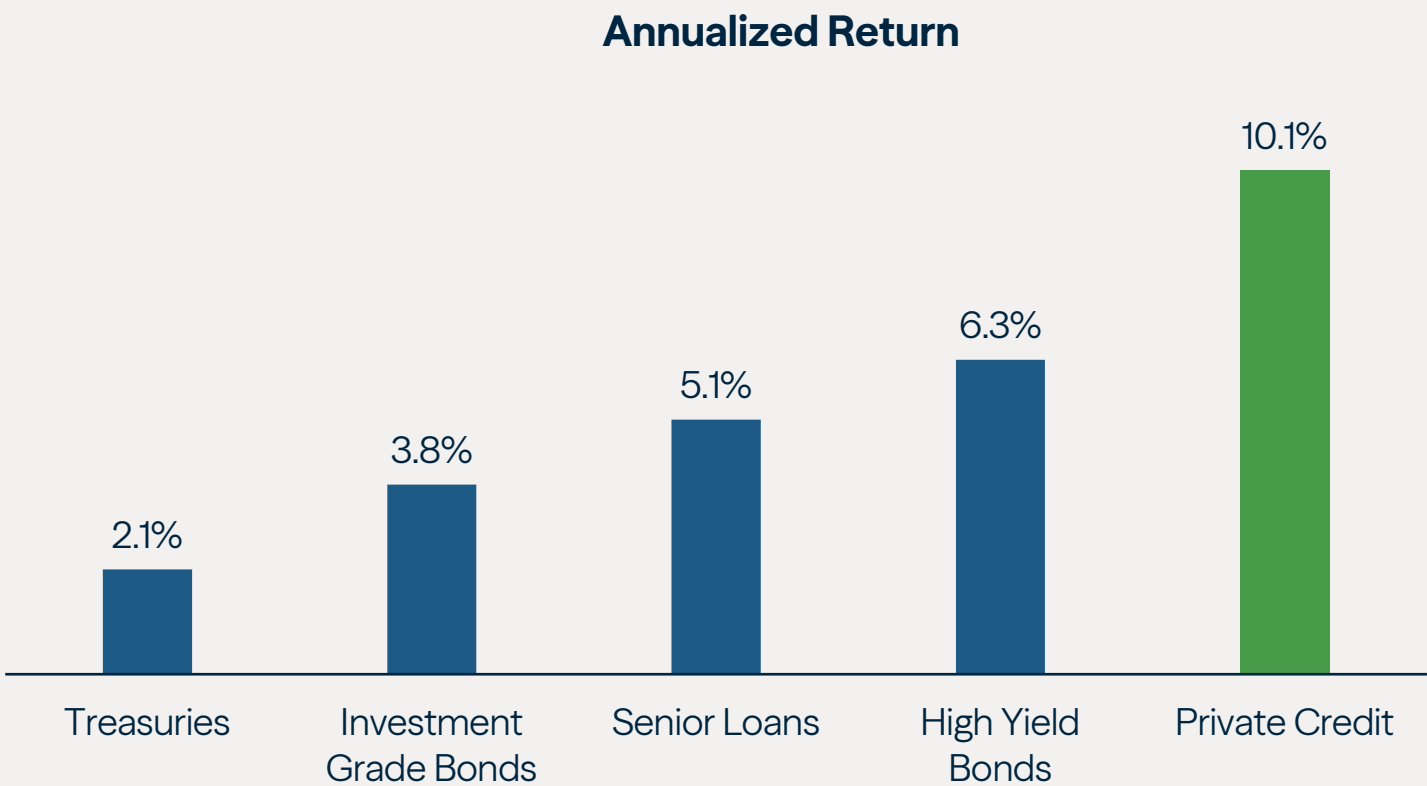


Private credit:

Six reasons to consider investing



1. Attractive long-term total returns



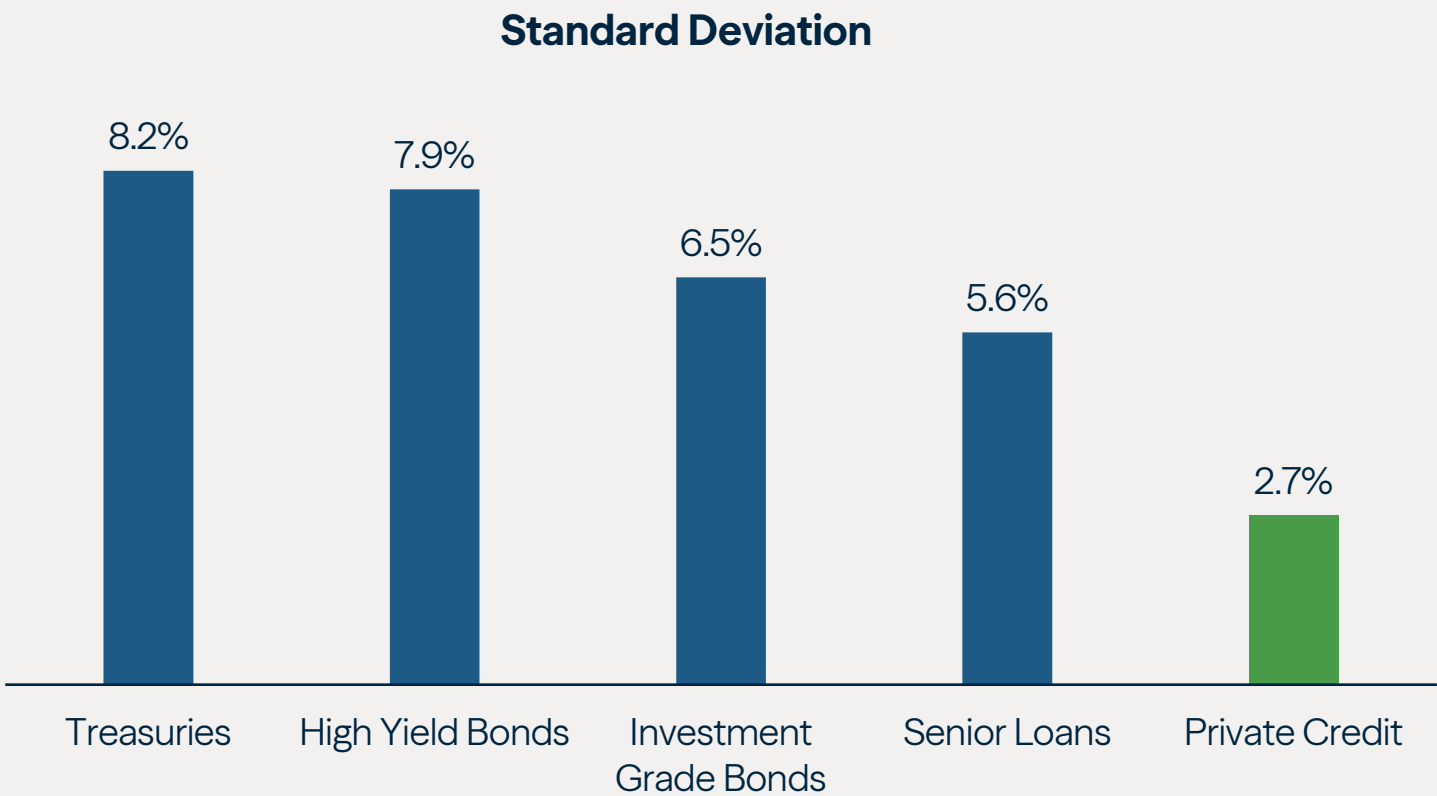
How?

- >> **Illiquidity** (and, in certain situations, complexity) **drives a premium over** traditional fixed income
- >> **Floating-rate nature** of loans benefit from rising-rate environment

Past performance is not indicative of future results. Information does not represent returns of a fund. An investor cannot invest in an index. For illustrative purposes only. Treasuries represented by FTSE 10-Year Treasury (OTR), Investment Grade Bonds by Bloomberg U.S. Corporate Bond Index, Senior Loans by S&P UBS Leveraged Loans Index, High-Yield Bonds by ICE BofA U.S. High-Yield Index, Private Credit by Cliffwater Direct Lending Index. Source: Bloomberg, Cliffwater. For the period January 1, 2010, through December 31, 2024.



2. Lower volatility



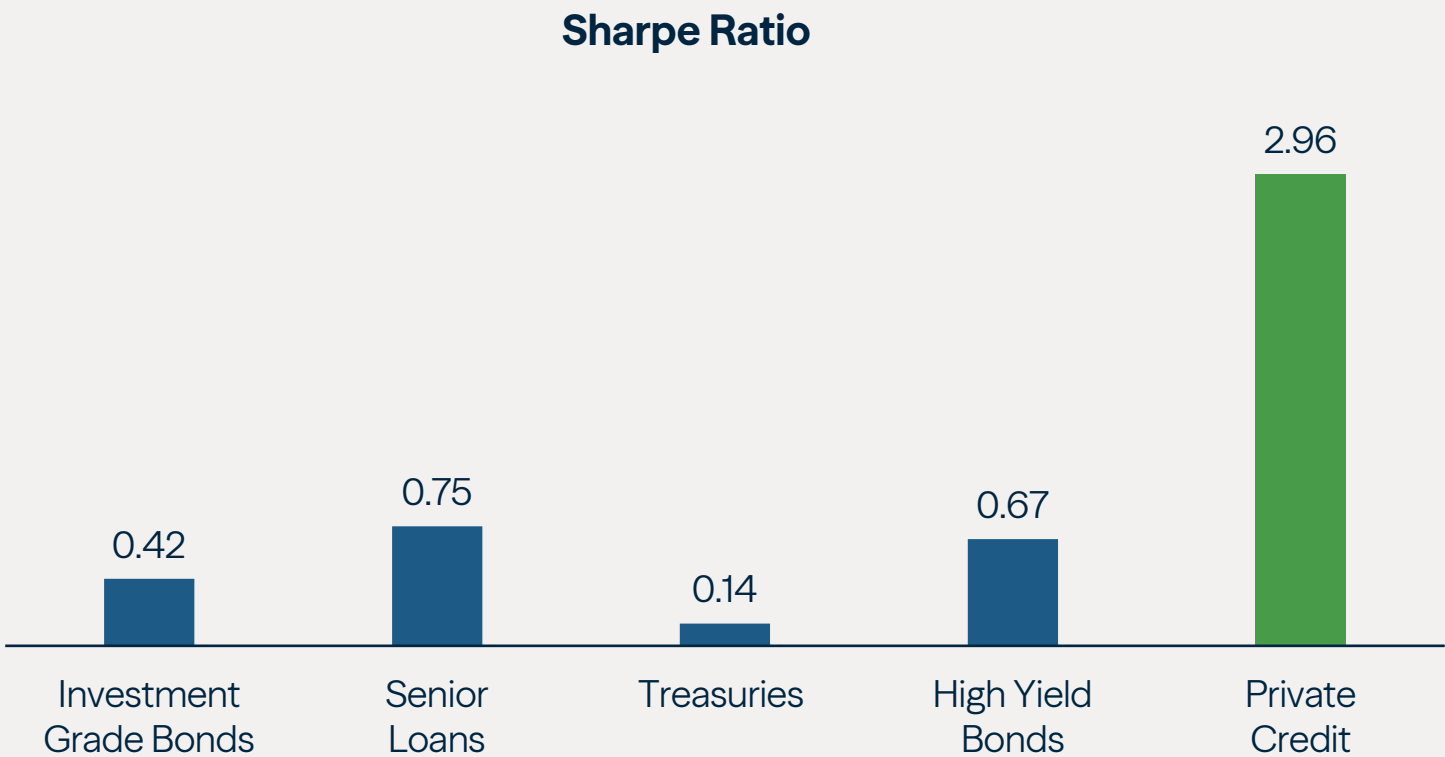
How?

- » Investments are **illiquid** and do not trade on public exchanges
- » Private assets are **less affected** by market beta and investor sentiments

Past performance is not indicative of future results. Information does not represent returns of a fund. An investor cannot invest in an index. For illustrative purposes only. Volatility is represented by standard deviation, which measures the degree to which an investment's return varies from its mean return. Investment Grade Bonds represented by Bloomberg U.S. Corporate Bond Index, Senior Loans by S&P UBS Leveraged Loans Index, Treasuries by FTSE 10-Year Treasury (OTR), High-Yield Bonds by ICE BofA U.S. High-Yield Index, Private Credit by Cliffwater Direct Lending Index.
Source: Bloomberg, Cliffwater. For the period January 1, 2010, through December 31, 2024.



3. Strong risk-adjusted return potential



How?

- >> Higher income potential
- >> Lower volatility

Past performance is not indicative of future results. Information does not represent returns of a fund. An investor cannot invest in an index. For illustrative purposes only. Risk-adjusted returns are represented by Sharpe Ratio, which measures the excess return (or risk premium) per unit of risk (measured by standard deviation) in an investment asset or a trading strategy. An investor cannot invest in an index. Investment Grade Bonds represented by Bloomberg U.S. Corporate Bond Index, Senior Loans by S&P UBS Leveraged Loans Index, Treasuries by FTSE 10-Year Treasury (OTR), High-Yield Bonds by ICE BofA U.S. High-Yield Index, Private Credit by Cliffwater Direct Lending Index. Source: Bloomberg, Cliffwater. January 1, 2010, through December 31, 2024.

4. Consistency of total returns over time

Calendar Year Return Comparison: 2005-2024

Calendar Year	Private Credit	High Yield Bonds	Senior Loans	Investment Grade Bonds
2005	10.10%	2.74%	5.06%	2.43%
2006	13.70%	11.87%	6.74%	4.33%
2007	10.23%	1.88%	2.08%	6.96%
2008	-6.50%	-26.15%	-29.10%	5.24%
2009	13.18%	58.21%	51.62%	5.93%
2010	15.79%	15.11%	10.13%	6.56%
2011	9.75%	4.98%	1.51%	7.86%
2012	14.03%	15.81%	9.67%	4.23%
2013	12.68%	7.46%	5.29%	-2.02%
2014	9.57%	2.46%	1.59%	5.94%
2015	5.54%	-4.46%	-0.70%	0.57%
2016	11.24%	17.14%	10.11%	2.66%
2017	8.62%	7.50%	4.14%	3.55%
2018	8.07%	-2.08%	0.46%	0.02%
2019	9.00%	14.20%	8.65%	8.73%
2020	5.45%	7.11%	3.12%	7.51%
2021	12.78%	5.28%	5.20%	-1.54%
2022	6.29%	-11.19%	-0.77%	-13.01%
2023	12.13%	13.45%	13.31%	5.53%
2024	11.32%	8.19%	8.95%	1.25%
Last 5 Years	9.55%	4.21%	5.85%	-0.32%
Last 10 Years	9.01%	4.86%	5.06%	2.25%
Last 20 Years	9.54%	6.45%	5.03%	3.47%

From 2005-2024, the private credit index **outperformed** the three other public debt indices in **13 of the 20** calendar years and demonstrated greater return consistency.

How?

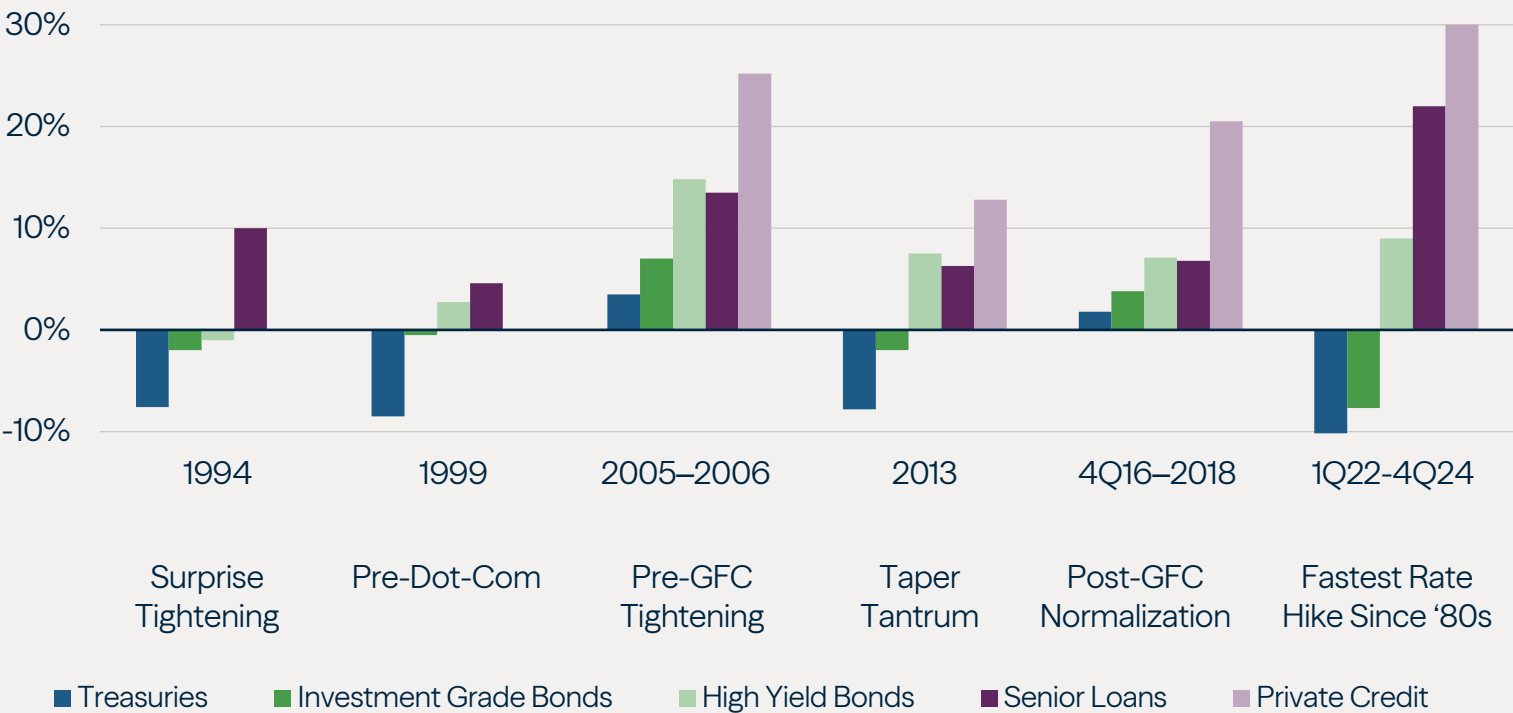
» Avoiding mark-to-market volatility experienced by other fixed-income investments, even during market downturns

Past performance is not indicative of future results. Information does not represent returns of a fund. An investor cannot invest in an index. For illustrative purposes only. Private Credit represented by the Cliffwater Direct Lending Index. High Yield Bonds by the Bloomberg High Yield Bond Index, Senior Loans by the Morningstar LSTA U.S. Leveraged Loan Index, Investment Grade Bonds by the Bloomberg Aggregate Bond Index. Source: Cliffwater 2024 Q4 Report on U.S. Direct Lending.



5. Stability through inflation protection

Total return % in the Last Six Interest Rate Cycles



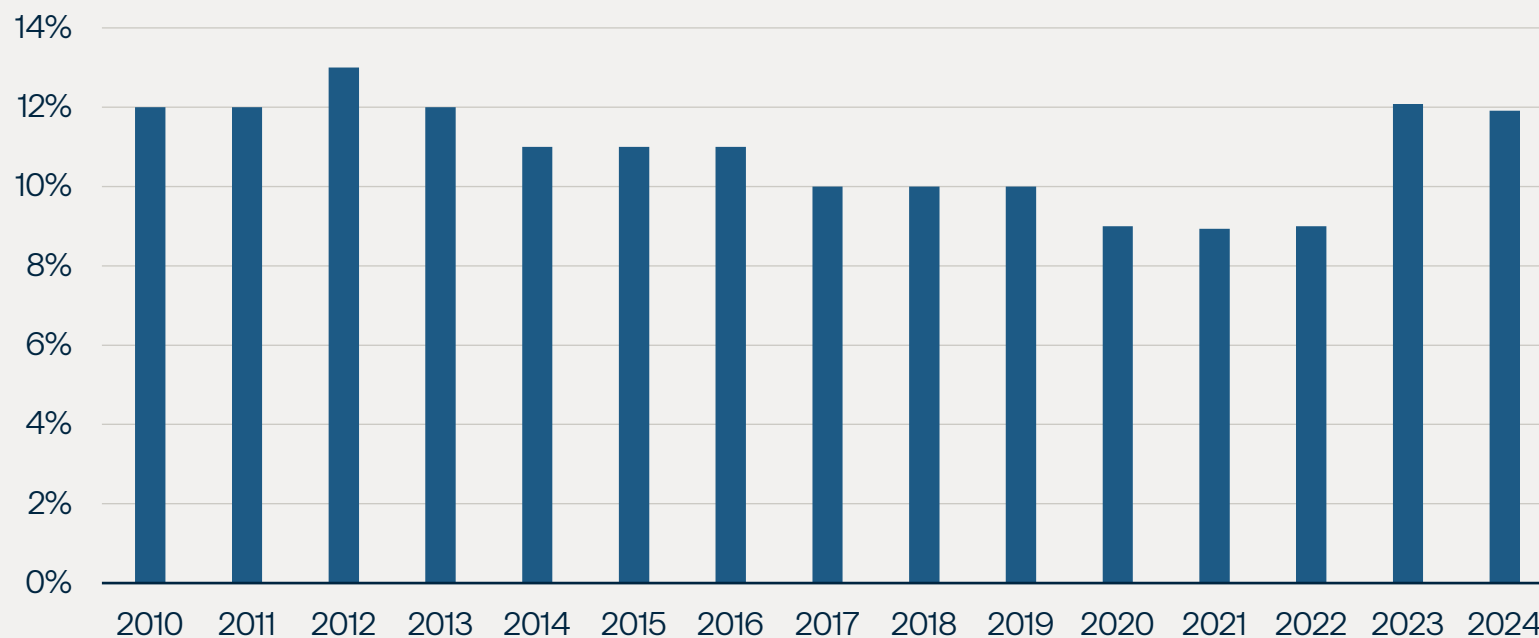
How?

- >> Lower volatility
- >> Higher income potential

Past performance is not indicative of future results. Chart shows cumulative returns over last six interest rate cycles through December 2024. Treasuries represented by FTSE 10-Year Treasury, Investment Grade Bonds by ICE BofA Global Corporate Bond Index, High Yield Bonds by ICE BofA US High Yield Index, Senior Loans by S&P UBS Leveraged Loan Index, Private Credit by the Cliffwater Direct Lending.

6. Consistent income paid regularly


Private Credit Income Return



How?

- » Contractual income stream
- » Senior position in the capital stack

Source: Cliffwater Direct Lending Index. Represents trailing four quarters ending December 31, 2024.

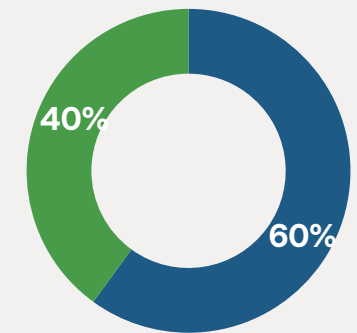


With less direct correlation to the market, private credit seeks to provide both stability and income, adding a more balanced risk profile to many portfolios.



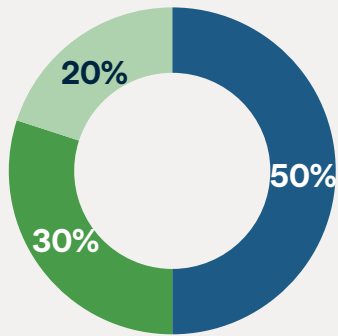
A balanced risk profile supports both stability and growth

Traditional 60/40 Portfolio



■ Equities ■ Fixed Income

With Private Credit



■ Equities ■ Fixed Income ■ Private Credit

How?

- >> Debt, not equity
- >> Not publicly traded or connected to the market
- >> 1:1 lender-borrower relationship

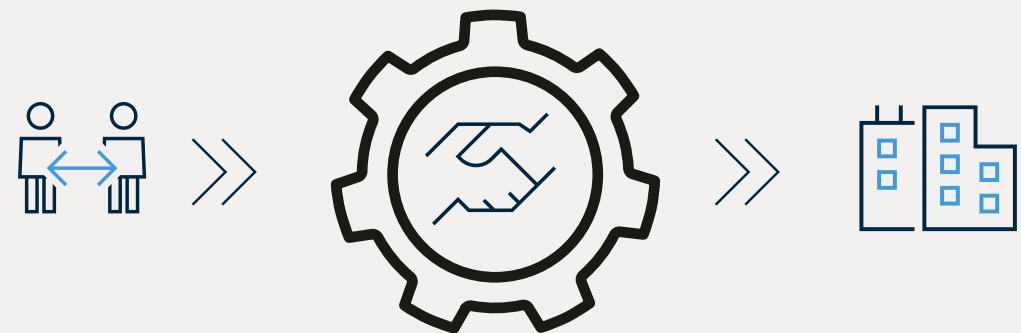
Return	5.6%	6.5%
Volatility	12.0%	10.3%

Past performance is not indicative of future results. Information does not represent returns of a fund. An investor cannot invest in an index. For illustrative purposes only. Diversification does not ensure a profit or protect against loss. There is no assurance that such events or projections will occur, and actual outcomes may be significantly different than those shown here
Equities represented by MSCI World Index, Fixed Income by the Bloomberg Global Aggregate Index, Private Credit by the Cliffwater Direct Lending Index. Source: Morningstar, Cliffwater. Total Returns and Risk: for the period from January 1, 2008, through December 31, 2024.



Recap

- >> **Private credit:** Non-bank loans where the borrower's debt is not publicly issued or traded
- >> **Post-GFC regulations** made it more difficult for banks to lend to middle-market companies, creating an opportunity for private lenders to fill the void
- >> **Private credit** will soon be the largest source of corporate lending, with abundant opportunities
- >> **Potential portfolio benefits** include attractive income, stable returns, lower volatility and inflation protection



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1. Source: Preqin 2025 Global Report: Private Debt, December 2024.

As the private credit
universe continues to grow,
how will lenders target valuable
opportunities?



Prudent lenders engage in thorough, private-equity-style diligence

Diligent lenders invest time and resources to uncover attractive opportunities. They work with sponsors, banks, intermediaries and potential borrowers to perform:



For illustrative purposes only.

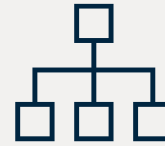


Three factors private lenders focus on when assessing a new investment



Credit Risk

- Would the deal be agreeable on a stand-alone basis?
- What is the company's industry and correlation to GDP and broader market cycles?
- What is the company's EDITDA, loan-to-value ratio, existing leverage and total loan size?
- How likely is the borrower to meet debt obligations?



Deal Structure

- Do the covenants and bespoke terms align lender and borrower interests?
- Is there sufficient downside protection?
- Where does the loan sit in the capital stack?



Price

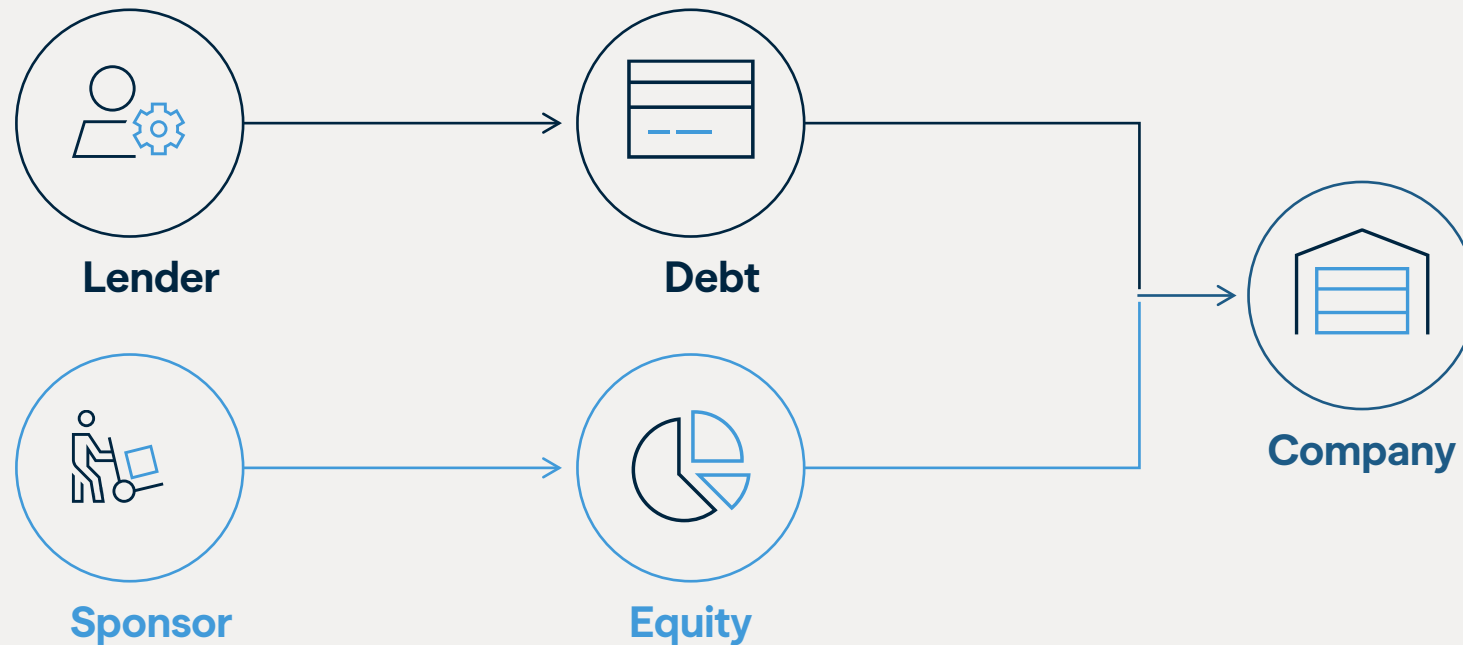
- Is the price appropriate for the level of risk assumed?
- Regardless of risk profile, is the value relative to other asset classes worth it?



Real-world example: Sponsored financing

How it Works:

- **Non-bank lender** provides debt financing to a business that is either wholly-owned or majority-owned by a private equity (PE) firm.
- The **PE firm** provides an extensive due diligence package and uses its relationships with lenders to help negotiate a competitive loan.
- Flexible financing solution to private equity sponsored firm to support its acquisition of a personal-care products company.



The case study discussions are provided for informational purposes only and are intended to illustrate the investment process.

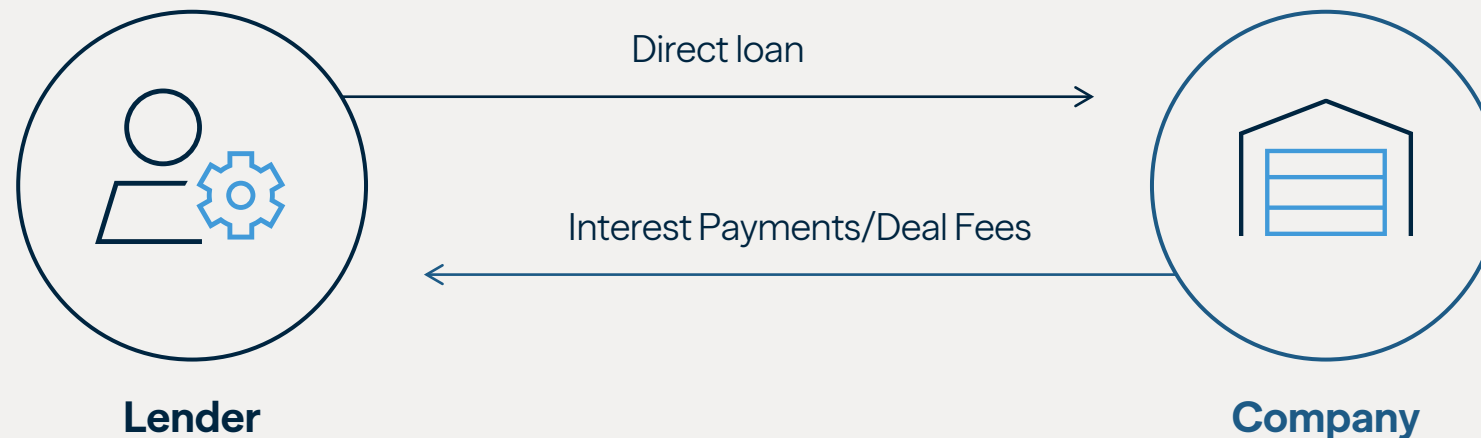


Real-world example: Non-sponsored financing

How it Works:

Lenders work directly with borrowers without a bank, sponsor or other intermediary. Lenders are responsible for all aspects of due diligence and underwriting.

- An emerging life sciences company reinvests profits into the development of life-saving products.
- Reinvesting the profits makes it difficult for banks to value the company, understand its business model, or tailor a loan to meet its needs.
- The company negotiates a loan with a lender who can offer more favorable terms and flexibility than a traditional bank, which faces greater regulations.



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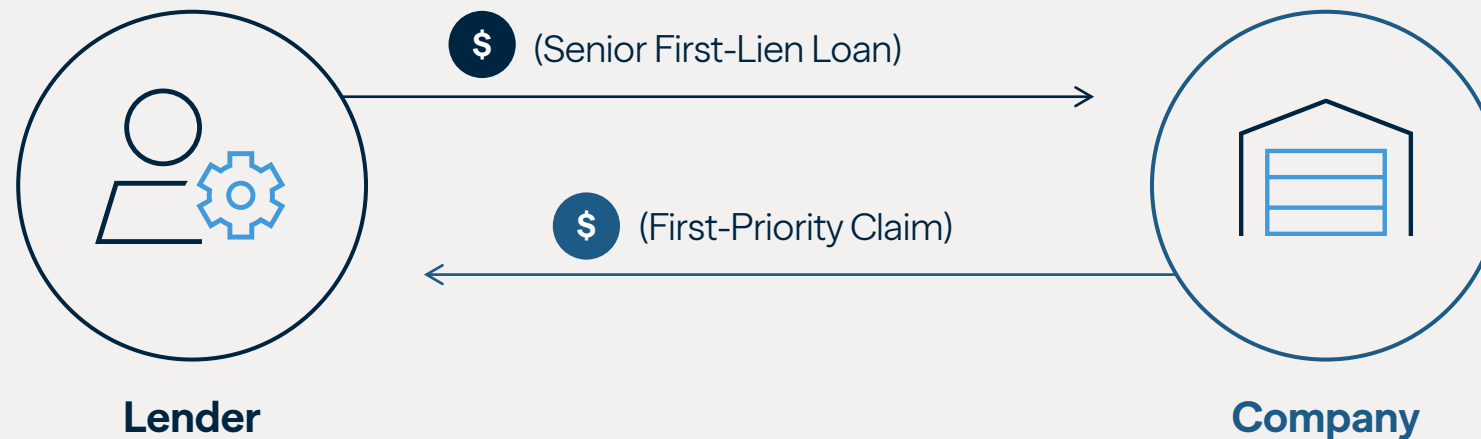


Real-world example: Rescue loan

How it Works:

Lenders provide loans to private companies that operate in sectors experiencing stress and have reduced access to the capital markets.

- An overleveraged travel company suffers from reduced travel during the COVID-19 pandemic.
- A private lender issues a senior first-lien loan to help the business avoid defaulting on their debt.
- The new lender receives first-priority claims above existing first-lien debt, equal claims on assets, and additional upside potential in the form of warrants and enhanced call protection.



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Thank you

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Private Credit Risks

All investing involves risk. The value of an investment will fluctuate over time, and an investor may gain or lose money, or the entire investment. Past performance is no guarantee of future results.

As an asset class, private credit comprises a large variety of different debt instruments. While each has its own risk and return profile, private credit assets generally have increased risk of default, due to their typical opportunistic focus on companies with limited funding options, in comparison to their public equivalents.

Because private credit usually involves lending to below-investment-grade or non-rated issuers, yield on private credit assets is increased in return for taking on increased risk.

Forward-Looking Statements

Information herein contains, includes or is based on forward-looking

statements within the meaning of the federal securities laws, specifically Section 21E of the Securities Exchange Act of 1934, as amended, and Canadian securities laws. Forward-looking statements include all statements, other than statements of historical fact, that address future activities, events or developments, including, without limitation, business or investment strategy or measures to implement strategy, competitive strengths, goals, expansion and growth of our business, plans, prospects and references to our future success. You can identify these statements by the fact that they do not relate strictly to historical or current facts. Words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other similar words are intended to identify these forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining our actual future results or outcomes. Consequently, no forward-looking statement can be guaranteed. Our actual results or outcomes may vary materially. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

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Index Definitions

The Bloomberg Global Aggregate Index is a market-capitalization-weighted index comprising globally traded investment-grade bonds. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are more than one year.

The Cliffwater Direct Lending Index measures the unlevered, gross-of-fees performance of U.S. middle-market corporate loans, as represented by the asset-weighted performance of the underlying assets of business development companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

The S&P UBS Leveraged Loan Index measures the market-value weighted performance of the investable universe of USD denominated leveraged loans issued from the following countries: Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Guernsey, Greece, Hungary, Iceland, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New

Zealand, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, or the United States.

The JP Morgan CLO 2.0 BBB Post-Crisis Index tracks floating-rate CLO BBB securities in post crisis vintages, which consists of deals issued in 2010 and later. The index utilizes a market-value weighted methodology.

The JP Morgan Corporate Emerging Market Bond High Yield Index (CEMBI HY) is a global, liquid corporate emerging markets index that tracks U.S.-denominated corporate bonds (high yield subset only) issued by emerging markets entities.

ICE BofA Global High Yield Index tracks the performance of U.S. dollar-, Canadian dollar-, British pound- and euro-denominated below-investment-grade (IG) corporate debt publicly issued in the major domestic or eurobond markets.

The Morningstar Global Leveraged Loan Index is designed to measure the performance of the global leveraged loan market. It is a fixed-weight composite index consisting of 75% weight from the Morningstar LSTA US Leveraged Loan Index and 25% weight from the Morningstar European Leveraged Loan Index.

The S&P 500 Index is an equity index of 500 widely held, large-capitalization U.S. companies.

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Appendix: Key terms

Business Development Company (BDC): A type of closed-end investment company that is regulated by the Securities and Exchange Commission under the Investment Company Act of 1940 and primarily invests in small and midsize companies (often privately held or founder-owned).

BDCs were initiated by U.S. Congress in 1980 (Small Business Investment Incentive Act) to help facilitate investment in small, growing, U.S. businesses by providing a financing alternative for companies that may otherwise experience difficulty accessing traditional financing via bank loans or public markets.

To maintain BDC status, the company must invest 70% of its assets in qualifying assets. Generally, qualifying assets are private U.S. companies or public U.S. companies with a market capitalization of less than \$250 million at the time the investment was made. The remaining 30% can generally include other assets.

Call Protection: A contractual assurance that a lender will earn an agreed-upon yield on a loan for a certain period after closing. Sometimes called a repayment fee, call protection ensures a borrower cannot prepay a loan without paying a fee before the call protection expires.

Capital Stack: Represents all the capital invested in a company. The capital stack sets out the order of priority for claims on the company's cash flows; senior debt is paid first, while common equity is paid only after all other creditors.

- Common equity is considered the top and riskiest layer of the capital stack. It is potentially the most rewarding layer, since returns are not capped.
- Preferred equity shares characteristics of common equity and mezzanine debt. Like common equity, it shares in some (though less) of the potential upside of the investment. Like mezzanine debt, it may also have a right to recurring payments.
- Mezzanine debt, like senior debt, receives regular payments at a stated rate that is typically higher than the senior debt (to reflect increased risk).
- Senior debt receives regular payments at a stated rate, typically lower than mezzanine debt, reflecting that this is typically the largest and least risky part of the stack.

Covenants: Legally binding stipulations or requirements that the borrower must meet to remain in good standing on a loan or bond. A covenant breach may put the borrower in default.

Maintenance (or affirmative) covenants are specific things the borrower must do (e.g., maintain a certain interest coverage ratio). Incurrence (or negative) covenants limit the borrower (e.g., the borrower may be prohibited from increasing dividends or exceeding certain debt ratios).

Floating Rate Debt: A bond or loan with an interest rate that “floats” to reflect changes in borrowing rates. Floating rates are typically priced as a combination of a reference rate, such as the Secured Overnight Financing Rate (SOFR), and an added premium (or spread) that reflects perceived risk. For example, a loan priced at SOFR+150 has an interest rate of SOFR plus 150 basis points (or SOFR plus 1.5%).

Loan-to-Value Ratio (LTV): A measurement of lending risk that is calculated by dividing the borrowed amount by the value of the underlying asset. Loans with high LTVs have less asset collateral and higher risk, as borrowers are less likely to fully repay the loan in the event of a default.

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