

PRIVATE CREDIT OVERVIEW

AN OVERVIEW OF THE ASSET CLASS AND OPPORTUNITY SET



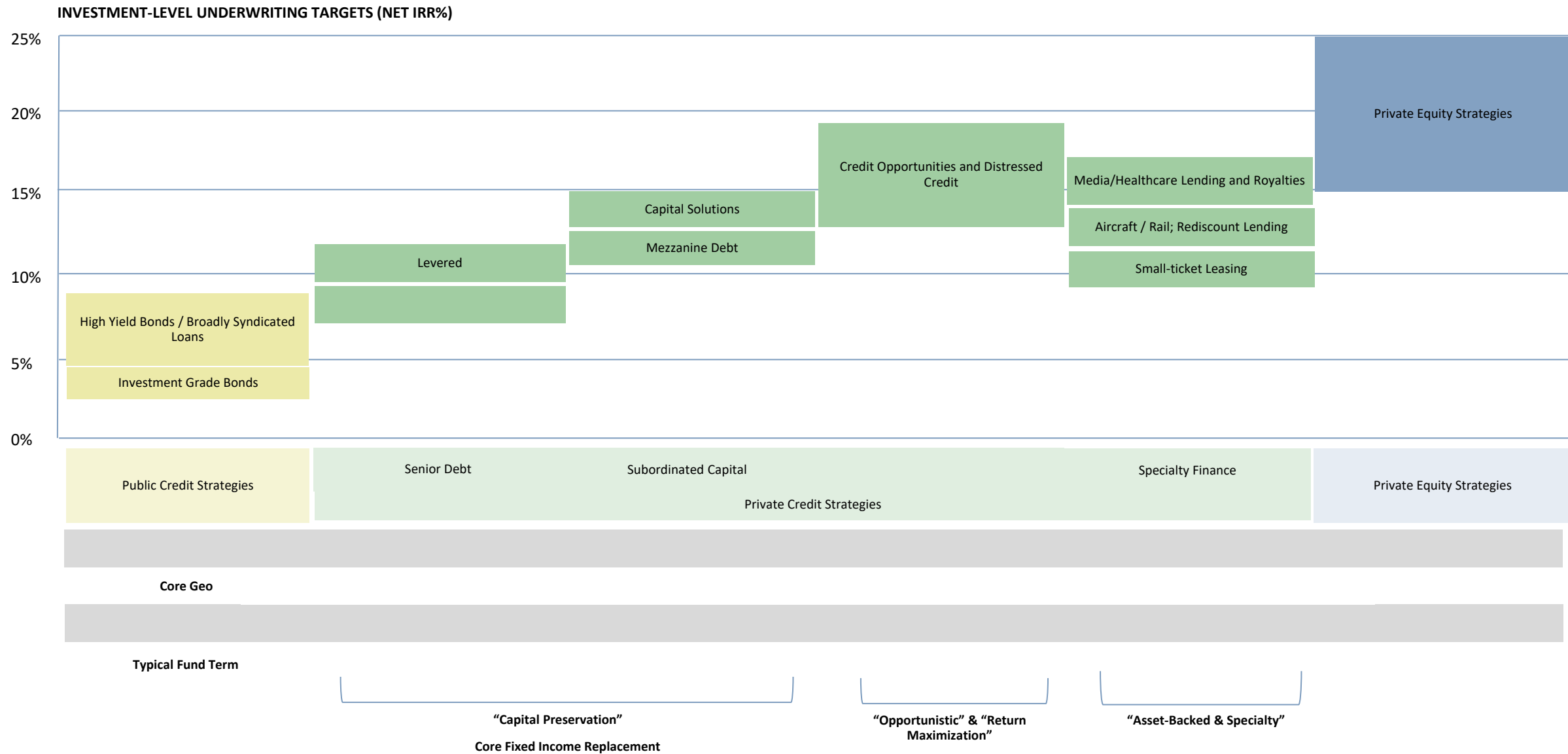
DEFINING PRIVATE CREDIT



- Private credit comprises a broad array of underlying strategies with a greater diversity of return drivers relative to other private investment asset classes.
- The majority of underlying assets within private credit are directly-originated by investment managers and are privately-held, relatively-illiquid investments.
- Private credit managers seek to generate outperformance to liquid alternatives partly through enhanced governance.
- While private credit is an evergreen asset class, underlying characteristics of most sub-strategies are optimally structured for a period of greater volatility and uncertainty, namely:
 - Floating rate assets compensate for rising rates and implicitly (to some extent) rising inflation while generating a higher total return;
 - Providing current income, generating yield and de-risking capital invested;
 - For a significant portion of the asset class, lower loan-to-value (LTV) provides a significant margin of safety;
 - Asset-backed and “niche” specialty-finance strategies provide less-correlated returns relative to broader equity and fixed income markets;
 - Opportunistic, distressed, and special situations strategies capitalize on excesses that entered the broader leveraged finance and equity markets in recent years.

Private Credit: Sub-Strategies

Cambridge's Definition: The Private Credit Universe



Source: Cambridge Associates
 Note(s): Portfolio shown for illustrative purposes and not representative of actual portfolios managed by Cambridge Associates, LLC or its affiliates. Figures are intended to be directional. As of 12/31/2021.

1

Attractive Risk-Adjusted Returns

- Trading liquidity for consistent outperformance of broader fixed income markets

2

Income Generation

- Recurring distributions or compounding and de-risking returns through reinvestment

3

Downside Protection

- Through placement in borrowers' capital structures and structuring/documentation

4

Alignment of Interests

- Source, structure, and hold vs allocation through market syndication; Control documents

5

Lower Correlation

- Floating rates and low Loan-to-Value lessen correlation to fixed income and equity markets

Private Credit:
Mapping

Most Private Credit Strategies Benchmark to Public Market Equivalents

PUBLIC CREDIT & HEDGE FUND STRATEGIES

INVESTMENT GRADE

BANK LOANS &
HIGH YIELD

STRUCTURED CREDIT

MULTI-ASSET CREDIT

CREDIT OPPORTUNITIES
/ DISTRESSED

With some exceptions⁽¹⁾, Private Credit strategies can be mapped to public credit strategies that are familiar to investors – creating a tangible benchmark and incremental return objectives

PRIVATE CREDIT STRATEGIES

DIRECT LENDING

MEZZANINE

SPECIALTY LENDING /
SPECIALTY FINANCE

OPPORTUNISTIC CREDIT/
CAPITAL SOLUTIONS

DISTRESSED / SPECIAL
SITUATIONS

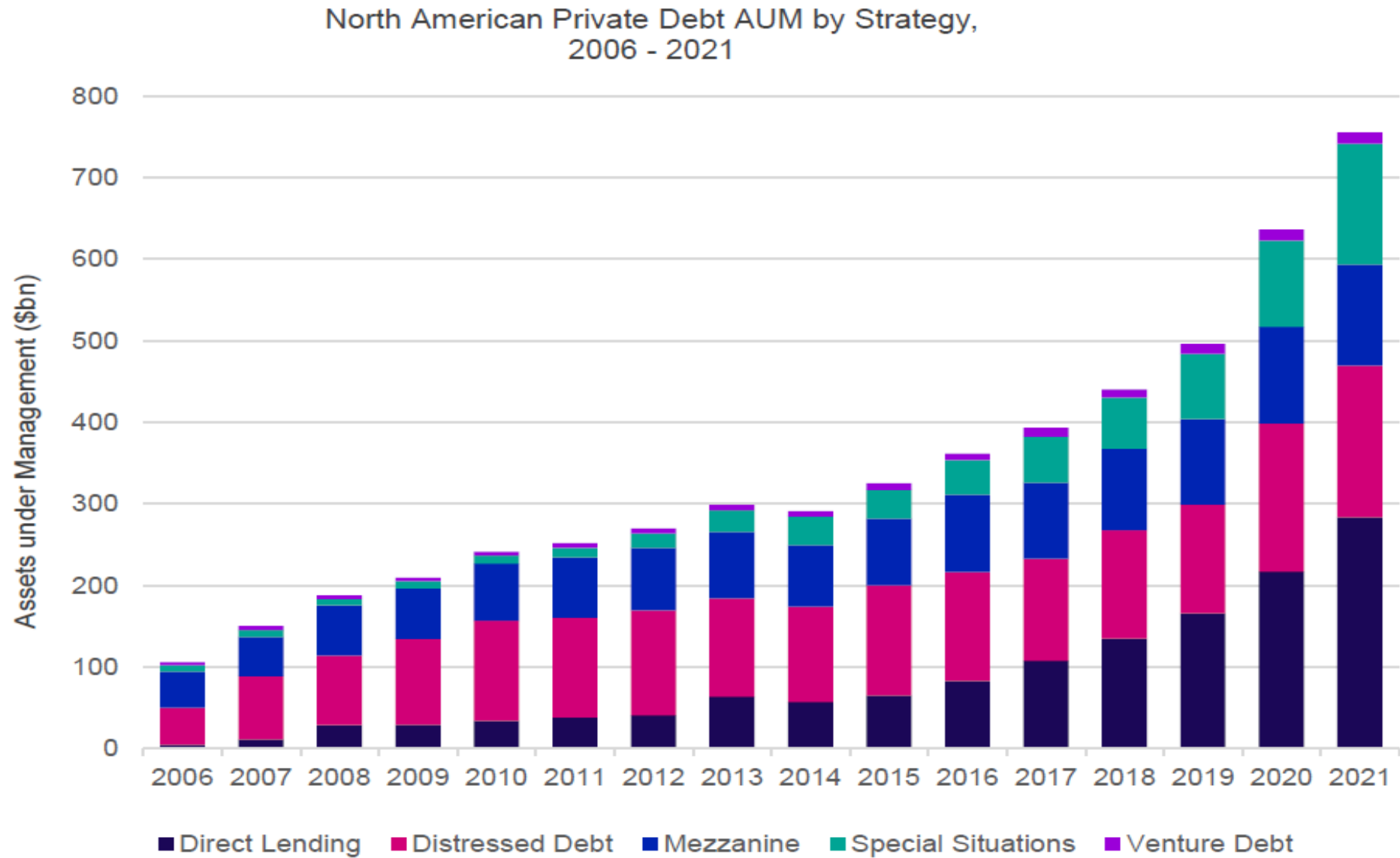
“Capital Preservation”

“Asset-backed & Specialty”

“Opportunistic & Return
Maximization”

North America: Private Credit AUM

Private Credit AUM – Direct Lending Continuing to Fuel Growth



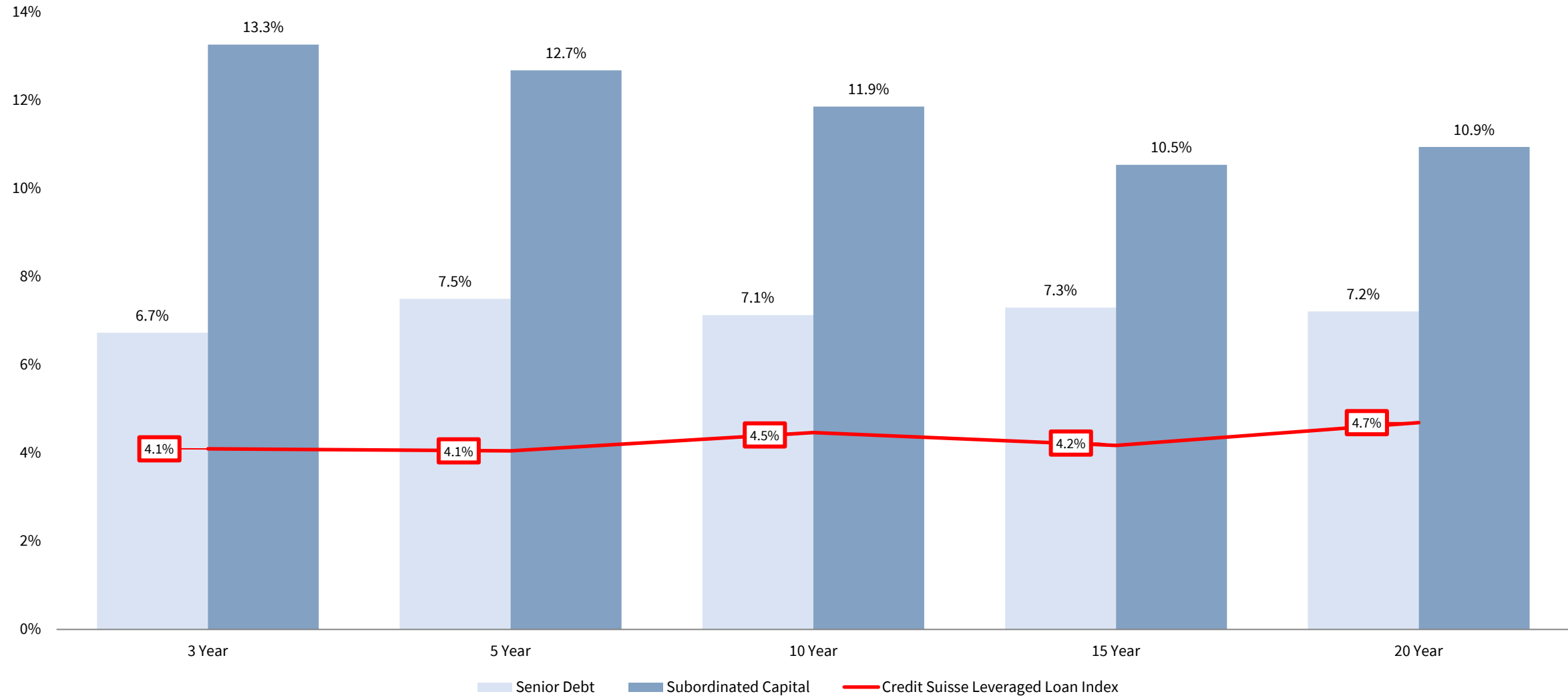
THE PLACE FOR PRIVATE CREDIT



Private Credit: Performance

Historically Consistent Performance Outpacing Liquid Fixed Income

HISTORICAL PERFORMANCE – CAPITAL PRESERVATION STRATEGIES COMPARED TO LEVERAGED LOAN INDEX
As of March 31, 2022



Private Credit:
Performance

Outperformance Relatively Constant Over Long Horizon

- Senior Debt (Direct Lending) has consistently outperformed Leveraged Loans by 200-300bps
- Subordinated Capital (Mezzanine/Structured Preferred) has consistently outperformed High Yield by +600bps

IRR

	<u>Trailing 1-Year</u>	<u>Trailing 3-Years</u>	<u>Trailing 5-Years</u>	<u>Trailing 10-Years</u>
CA Private Credit Benchmark	11.9%	9.2%	9.0%	9.3%
CA Senior Debt Benchmark	5.4%	6.7%	7.5%	7.1%
CA Subordinated Capital Benchmark	17.2%	13.3%	12.7%	11.9%
CA Credit Opportunities Benchmark	12.4%	8.4%	8.0%	8.8%
CA Senior Debt Benchmark	5.4%	6.7%	7.5%	7.1%
Credit Suisse Leveraged Loan Index	3.2%	4.1%	4.1%	4.5%
PME Outperformance	2.2%	2.6%	3.4%	2.7%
CA Subordinated Capital Benchmark	17.2%	13.3%	12.7%	11.9%
BAML U.S. High Yield BB-B Constrained	-0.5%	4.4%	4.6%	5.6%
PME Outperformance	17.7%	8.9%	8.1%	6.3%

Private Credit: Correlations

Private Credit Strategies Have Historically Exhibited Minimal Positive Correlation To Private Equity and Public Income & Equity Indices

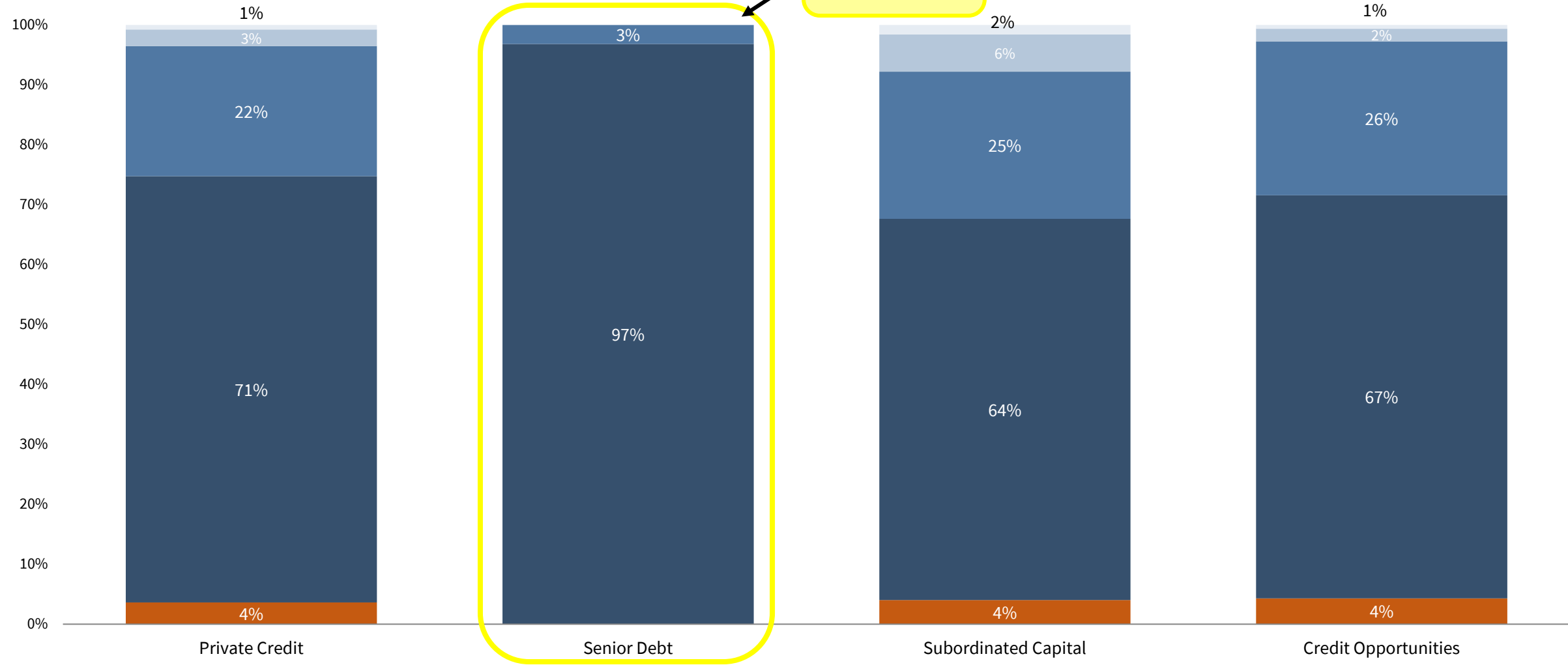
HISTORICAL CORRELATIONS OF PRIVATE CREDIT STRATEGIES TO PRIVATE EQUITY & PUBLIC MARKET EQUIVALENTS

	CA SENIOR DEBT	CA SUBORDINATED CAPITAL	CREDIT SUISSE LEVERAGED LOAN	BAML US HIGH YIELD	BLOOMBERG AGG BONDS	S&P 500
CA SENIOR DEBT	1.00	0.17	0.43	0.37	-0.11	0.29
CA SUBORDINATED CAPITAL	0.17	1.00	0.29	0.29	-0.24	0.54
CA PE & VC	0.19	0.75	0.40	0.40	-0.26	0.61

Private Credit: Downside Protection

More Meaningfully, Private Credit - In Particular Senior Debt – Has Enviably Low Loss Ratios Through Credit Cycles

GLOBAL CREDIT RETURN BREAKDOWN BY ASSET CLASS: TVPI



Senior Debt Funds: No Loss of Invested Capital



Copyright © 2022 by Cambridge Associates LLC. All rights reserved.

The information and material published in this report is nontransferable. Therefore, recipients may not disclose any information or material derived from this report to third parties or use information or material from this report without prior written authorization unless such use is in accordance with an agreement with Cambridge Associates ("CA"). Nothing contained in this document should be construed as the provision of tax, accounting, or legal advice. Past performance is not indicative of future performance. Broad-based securities indexes are unmanaged and are not subject to fees and expenses typically associated with managed accounts or investment funds. Investments cannot be made directly in an index. Any information provided in this document is as of the date of the document, and CA is under no obligation to update the information or communicate that any updates have been made.

The information contained herein represents CA's estimates of investment performance, portfolio positioning and manager information including but not limited to fees, liquidity, attribution and strategy and are prepared using information available at the time of production. Though CA makes reasonable efforts to discover inaccuracies in the data used in this report, CA cannot guarantee the accuracy and is ultimately not liable for inaccurate information provided by external sources. CA is under no obligation to update the information or communicate that any updates have been made. Clients should compare the investment values with the statements sent directly from their custodians, administrators or investment managers, and similarly, are ultimately responsible for ensuring that manager information and details are correct. Historical results can and likely will adjust over time as updated information is received. Estimated, preliminary, and/or proxy information may be displayed and can change with finalized information over time, and CA disclaims any obligation to update a previously provided report when such changes occur. Some of the data contained herein or on which the research is based is current public information that CA considers reliable, but CA does not represent it as accurate or complete, and it should not be relied on as such. This report is not intended as a Book of Record nor is it intended for valuation, reconciliation, accounting, auditing, or staff compensation purposes, and CA assumes no responsibility if the report is used in any of these ways.

The primary data source for information is the investment manager and/or fund administrator, therefore data may not match custodial or other client records due to differences in data sourcing, methodology, valuation practices, etc. Estimated values may include prior quarter end data adjusted by a proxy benchmark or by subsequent cash flows. In some instances, data may be sourced directly from a client and/or prior advisors or service providers. CA makes no representations that data reported by unaffiliated parties is accurate, and the information contained herein is not reconciled with manager, custodian, and/or client records. There are multiple methodologies available for use in the calculation of portfolio performance, and each may yield different results. Differences in both data inputs and calculation methodologies can lead to different calculation results. Expected return, efficient frontier analysis and methodology may include equilibrium asset class assumptions derived from CA's Capital Markets Group, and such assumptions are available upon request.

The terms "CA" or "Cambridge Associates" may refer to any one or more CA entity including: Cambridge Associates, LLC (a registered investment adviser with the US Securities and Exchange Commission, a Commodity Trading Adviser registered with the US Commodity Futures Trading Commission and National Futures Association, and a Massachusetts limited liability company with offices in Arlington, VA; Boston, MA; Dallas, TX; Menlo Park, CA, New York, NY; and San Francisco, CA), Cambridge Associates Limited (a registered limited company in England and Wales, No. 06135829, that is authorized and regulated by the UK Financial Conduct Authority in the conduct of Investment Business, reference number: 474331); Cambridge Associates GmbH (authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin'), Identification Number: 155510), Cambridge Associates Asia Pte Ltd (a Singapore corporation, registration No. 200101063G, which holds a Capital Market Services License to conduct Fund Management for Accredited and/or Institutional Investors only by the Monetary Authority of Singapore), Cambridge Associates Limited, LLC (a registered investment adviser with the US Securities and Exchange Commission, an Exempt Market Dealer and Portfolio Manager in the Canadian provinces of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Québec, and Saskatchewan, and a Massachusetts limited liability company with a branch office in Sydney, Australia, ARBN 109 366 654), Cambridge Associates Investment Consultancy (Beijing) Ltd (a wholly owned subsidiary of Cambridge Associates, LLC which is registered with the Beijing Administration for Industry and Commerce, registration No. 110000450174972), and Cambridge Associates (Hong Kong) Private Limited (a Hong Kong Private Limited Company licensed by the Securities and Futures Commission of Hong Kong to conduct the regulated activity of advising on securities to professional investors).